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CORPORATE GOVERNANCE: BOARD ATTRIBUTES AND EARNINGS MANAGEMENT BEHAVIOR IN NIGERIA BANKING SECTOR

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Abstract
This study examines the impact of Board Attributes (as an object of corporate governance) on Earnings Management in Nigeria Deposit Money Banks for the period 2011 to 2020, using Least Square Regression analytical tool on thirteen (13) banks listed on the Nigerian Stock Exchange. The finding of the study provide a mixed outcome in the link between corporate governance and earnings management practices in Nigerian Deposit Money Bank . In ensuring that corporate governance is strengthened in Nigerian Deposit Money banks, emphasis should be on the financial expertise of board members to place a watch on management in curtailing potential earnings manipulation tendencies. The study advocates for a broad and more exhaustive array of corporate governance measures, incorporating both internal and regulatory aspects of corporate governance. In view of this, ownership concentration and board configuration were equally examined to ascertain their impact on earnings manipulations and management. The study reaffirms the ability of corporate governance significant role in reducing unethical management tendencies to indulge in the management of earnings.

Keywords: *Earnings management, Board size, Board independence, Board financial expertise.*

Introduction

Over the years, earnings management has been identified as a major issue surrounding the credibility of financial statements, eroding users' confidence on the integrity of annual reports. Having different shades as earnings

smoothening, financial engineering, window dressing amongst others, the practice has led to the collapse of many reputable firms all over the world. Real Earnings Management (REM) usually occurs when managers engages in practices that strays from the hitherto best practice with a view to increasing the reported earnings (Altamuro, Beatty & Weber, 2003).

The majority of fraudulent accounting and accruals management is performed through modifying the firm's underlying economic operations rather than the accounting procedures used to reflect those underlying activities. REM, on the other hand, is performed through altering the firm's core activities. Cutting prices near the end of the year in order to accelerate sales from the next fiscal year into the current year, deferring desirable investments, and selling non-current assets to affect gains and losses are all examples of Real Earnings Management used to improve current period earnings(Healy &Wahlen, 1999).

One of the goals of financial statements is to provide users with information about the risk, variability, and timing of future cash flows. Managers are encouraged to manipulate earnings to their benefit because to the Germaneness of accounting data (Abdul Rahman & Ali, 2006). Since the rash of massive accounting scandals in the United States around the turn of the century, which harmed stakeholders, the need of recognizing and preventing earnings management has been more vital than ever. The Sarbanes-Oxley Act of 2002 was enacted in response to the twenty one greatest accounting scandals and the collapse of the largest audit firm, Arthur Andersen, between 2000 and 2002. It was an attempt by US authorities to improve the transparency and creditability of financial reporting (Cohen, Dey, & Lys, 2008).In Nigeria, Notable cases include those of Cadbury PLC, Africa Petroleum amongst others.

Earnings management can be accrual-based or real activities manipulation (Ho, Liao, & Taylor,2015; Zang, 2012). Accrual-based earnings management entails a variety of accounting maneuvers aimed at improving the earnings baseline, which should be reversed in future periods and have no impact on the firm's cash flow (Dechow et al., 1995; Healy &Wahlen, 1999). Real-world activity manipulation, on the other hand, entails alterations to typical business operations, which should have an impact on the firm's cash flow (Zang, 2012). Manipulation of real activities can lower company value since actions done now to boost profitability can have a detrimental impact on cash flows in the future (Mellado-Cid, Jory, & Ngo, 2018; Roychowdhury, 2006).

The sub-optima tendency advanced by the agency theory implies that managers can actually work for an entity's wellbeing or in a manner detrimental to corporate objectives. Dechow, Sloan and Sweeney (1996)assert that when managers' opportunistic tendencies are regulated through a range of effective monitoring techniques, accounting earnings are more dependable and instructive.

Over the years, there has been series of debatesin the literature on the efficacy of corporate governance in preventing unethical behavior in businesses. Corporate governance confers a vital responsibility on the boards in the reporting process, implying that the boards is expected to restrain earnings management activities, which are opportunistic (Epps & Ismail, 2008). It is clear that the board of directors are saddled with a very vital task of promoting the wellbeing of shareholder by closely observing the firm's management team. In line with the agency theory, non-executive directors are likely not to collude with managers because the relevance of independent directors is to an extent measured by the efficacy of their monitoring (Fama& Jensen, 1983).Accounting earnings are more dependable and informative when there are monitoring systems in place to deter managers' opportunistic behavior. The collapse of large and renowned firms has stimulated doubts about the efficacy of available monitoring measures raised in the literature (Ebrahim, 2007). Although lots of debates exist in the literature regarding the effectiveness of corporate governance mechanisms in curbing the manipulation of Accounting numbers, very few empirical evidences exist in the Nigeria banking sector and the measurement of earnings management using discretionary accruals has also been a contentious practice in recent times.

This study relies on Mellado and Saona(2019) conceptualization of earnings management which is an opportunistic behaviour that involvesmanipulating real-world activity in order to minimize the informational value of financial statements Following the investigations of Graham, Harvey, and Rajgopal (2005), Roychowdhury (2006), and Zang et al. (2009), researchers have begun to pay attention to real earnings manipulation (2012). According to a survey conducted by Graham, et al. (2005), financial executives place a high emphasis on attaining earnings boards and are willing to manipulate real-world activities to achieve these goals, even though the manipulation may lower firm value. According to Walker (2013), academic scholars should take far more seriously the idea that corporations make value-destroying real economic decisions on a

regular basis in order to fulfill earnings targets. Despite this, Shayan-Nia, Sinnadurai, Zuraidah, and Hermawan (2017) argue that empirical evidence is lacking in poor nations like Nigeria.

Real activity manipulation merits more attention from researchers because to its long-term impact and the fact that it is routinely used by management of enterprises in industrialized countries to increase their reported earnings numbers. However, accruals-based earnings management has gotten more academic attention so far (Walker, 2013).Managers usually opt to engage in real activities manipulation during the fiscal year and alter accruals at the conclusion of the fiscal year based on how effective real activities manipulation is in shaping the earnings figure, according to Zang (2012). As a result, actual activity manipulation should be given more attention, because, as previously said, the potential and motive for real activity manipulation are determined by endogenous company characteristics as well as external elements arising from the institutional context. As a result, the goal of this article is to provide empirical evidence oncorporate governance and real activities manipulation for sample Banks in Nigeria.

The Nigerian banking sub-sector has experienced several issues which have led to a continuous strengthening of its corporate governance mechanisms by regulators. Despite the strict governance regulations, its effectiveness in curbing earnings management is still uncertain. The study therefore seeks to ascertain whether the Nigerian corporate governance architecture is a mere regulatory intervention or is really an effective measure in curbing earnings management by providing empirical evidence from the Nigeria banking sub-sector.

The study is structured to answer the following questions:

1. What is the impact of Board Size on Real Earnings Management (REM) in Nigerian Deposit Money Banks?
2. How does the degree of Board Independence influence REM in Nigeria Deposit Money Banks? And
3. How does the degree of Board financial expertise affect REM in Nigerian Deposit Money Banks?

The broad objective of the study is to examining the influence of corporate governance on earnings management practices of Nigerian Deposit Money Banks. In specific terms, it:

i. Investigate the impact of Board size on REM in Nigerian Deposit Money Banks;
ii. Evaluate the degree of Board Independence influence on REM in Nigerian Deposit Money Banks; and
iii. Examine the degree of Board financial expertise influence on REM in Nigerian Deposit Money Banks.

The study's hypotheses are stated in their null forms as follows:

H01: Board size has no significant impact on REM in Nigerian Deposit Money Banks.

H02: The degree of Board Independence has no significant influence on REM in Nigerian Deposit Money Banks.

H03: there is no significant relationship between the degree of Board financial expertise and REM in Nigerian Deposit Money Banks.

The study will be limited to the influence of corporate governance on Real Earnings Management in Nigeria Deposit Money Banks for the period 2012-2020 (Nine years). The period is post 2005 consolidation and has experiences various reforms, including the Nigerian code of corporate governance and the Nigerian Banking corporate governance reforms, as well as several mergers and takeovers.

Conceptual Review

Earnings Management

Earnings management means different things to different persons. To some it's a total manipulation of accounting numbers, involving upward manipulation or downward manipulation of financial statement figures. A loan loss provision is a line item on the income statement that represents the managers' estimate of future losses. This means that a higher loan loss provision lowers net income, whereas a lower loan loss provision raises net income. The provision for it is divided into two (2) parts because it is the result of managers' evaluation of the possible loss that the company would suffer if the borrower failed to return his obligations on time. Portions that are non-discretionary and portions that are discretionary. "Non-discretionary is a function of specific quality determinants in the loan portfolio- non-accrual loans, renegotiated loans, loans past due over 90 days, specific analyses on troubled large credits, usually implying internal grading system"(Bedard, Chtourou & Courteau, 2004). As a result, the non-

discretionary portion is the provision that is based on a fair and objective assessment of the firm's economic circumstances. The discretionary element includes accruals that are heavily reliant on the managers' future expectations of unpredictable events (Mohammad et al. 2011).

There exist empirical evidences reported in the literature on the use of loan loss provision in the manipulation of earnings. Researchers over the years have advocated that managers engage in earnings management through various means, ranging from adjusting accounting choices, real transactions, total accruals/discretionary accruals, specific accruals, and income smoothing to earnings distributions approach (Okike, E. & Okougbo, 2015). The discretionary provision approaches appear to be the one that has piqued the interest of researchers the most out of all of these ways. This is because it has the most negative impact on the usefulness of accounting data.

Board Size and Earnings Management

Optimal board size membership is assured by adequate number of members on board to effectively perform the monitoring functions in a firm. Prior studies results of the impact of board size on earnings management are mixed outcome. Meanwhile, Rahman and Ali (2006), posit that board size is positively related with earnings management. Whereas, Xie, Davidson, and DaDalt (2003) opine that smaller boards are better to make timely decisions than large boards. However, they state that larger boards with diverse knowledge are more effective for constraining earnings management than smaller boards. Xie et al. (2003) further contend that large boards with various experts are more likely to have a higher degree of independence than small boards. In the same vain, Peasnell, Pope, and Young (2004) conclude that having a large board is better in reducing earnings management compared to smaller boards. Thus the present study examines the influence of board size on earnings management.

Board Independence and Earnings Management

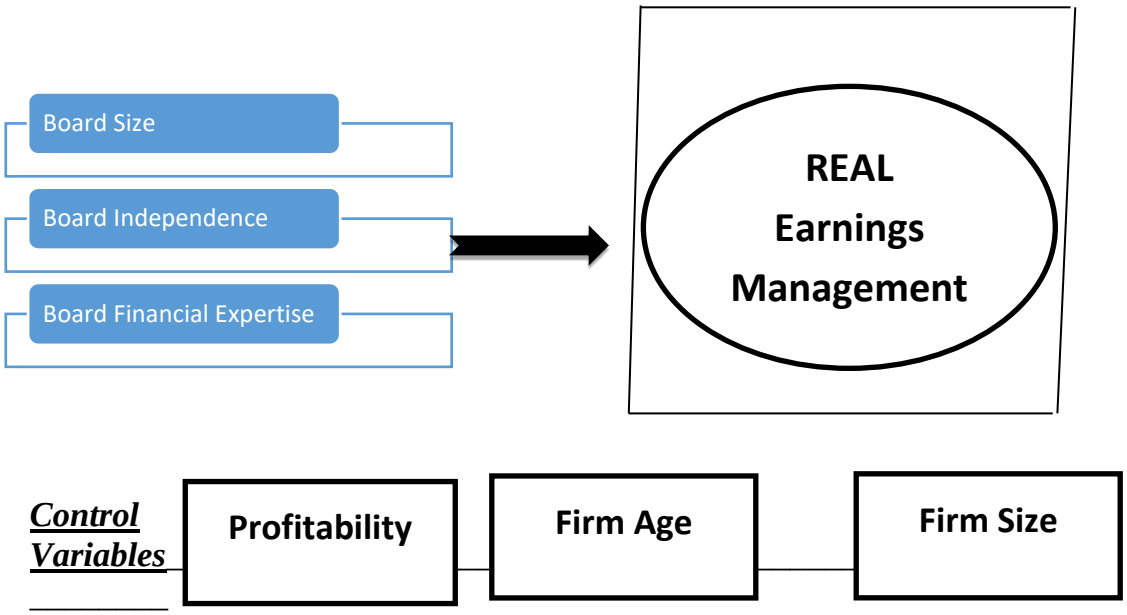
Achieving corporate governance goals, the board of directors is expected to closely monitor managers' behavior and be independent from them. However, members of the board often have conflicts of interest and may not dispose to independence when monitoring top executives especially in the case of executive directors who have active day-to-day managerial roles as well as oversight functions (Fama & Jensen, 1983; Hashim & Davi, 2008). Hence, outsiders are brought in to provide monitoring and to protect shareholders' interests. It could be argued that to have an effective role, the board should consist of a significant number of independent directors. According to Peasnell, Pope and Young (2004) and Vafeas (2000), outside directors play a more

effective role in monitoring top managers' aggressive behaviors than insiders. Their results show that earnings management is negatively associated with a larger proportion of outside directors.

Board Financial Expertise and Earnings Management

The financial career background of CEOs may play an important role in determining the quality of financial reporting. The accumulated experience and financial skills and experience of the CEOs over their career usually equip them with deeper knowledge and understanding of financial and accounting issues, which they may draw upon to make proper accounting decisions and improve the financial reporting process. Moreover, extensive experience and interaction with the financial market make financial expert CEOs highly aware of the type of information demanded by investors and appreciative of the significance of accounting information in affecting investors' firm evaluation (Carcello, Hollingoworth, Klein & Neal, 2006). Thus, financial expert CEOs may have more incentives to provide high-quality financial reporting to the market so that investors can appropriately gauge the firms' values. Furthermore, although CEOs are not directly involved in overseeing the accounting process, they can set the tone from the top and influence the decisions of chief financial officers (CFOs) (Feng, Ge, Luo, & Shevlin, 2011). The financial background facilitates communication between CEOs and CFOs, allowing them to effectively work together to develop sound accounting policies.

Figure 1: Semantic representation of the conceptual review



Source: Researchers' Conceptualization (2022)

Empirical Reviews

Xie (2001) evaluates the directorate's, audit committee and executive committee's roles in detecting and preventing earnings manipulation They concluded that profit management is less likely to occur or occurs less frequently in organizations whose management includes more non-executive directors as well as inside directors having wealth of corporate experience after examining the relationships using a number of S&P 500 index firms. According to the research, the level of financial manipulation is related to the form of the audit committee's independence, which might enable a council to demonstrate improved operating in its monitoring limit.

Klein (2002) in a study of 692 publicly traded US firm years to see if board characteristics and audit committee independence are linked to financial manipulation. During the investigation, he discovered an inverse relationship between board or review advisory group autonomy and profit smoothing.

Park and Shin (2004) used 539 firm years in Canada to investigate the impact of board membership on profit smoothing levels between 1991 and 1997. However, they were unable to uncover any significant evidence supporting the association. These findings ran counter to popular belief in the United Kingdom and the United States.

Agrawal and Chadha (2005) looked into whether there was a link between a company's likelihood of managing earnings and its corporate governance processes. They discovered that audit committee independence and board composition have no bearing on the likelihood of a restatement. They also discovered that companies with an independent financial specialist on the board of directors or audit committees are much less likely to experience this.

Shen and Chih (2007) look at how governance policies affect financial smoothing in Asia's emerging markets. The findings show that companies with good administrative policies are more likely to practice profit management. It also showed that there is a size-effect for profits manipulation, which suggests that larger organizations are more likely to engage in profit smoothing, but that excellent governance in such companies may generally mitigate the effects.The paper's findings also suggest that organizations with higher growth (lower profit yield) are more inclined to implement profit management, but that robust administrative controls can mitigate the effect. Furthermore, corporations in countries with strong anti-director rights laws are more inclined to emphasize earnings management. It also claims that the effect of leverage has a sharp point

of variation, i.e., when the governance index is high, the effect of leverage exists, however when the governance index is low, the reverse effect is observed.It reflects the fact that a heavily leveraged corporation with inadequate governance is more likely to be scrutinized extensively, making it more difficult to deceive the public through financial manipulation.

By adding a tunnelling outlook, Liu and Lu (2007) investigated the relationship between Corporate Governance and Earnings Management in publicly traded Chinese corporations. According to the facts, conflicts between majority stockholders and minority investors account for a significant portion of profit smoothing in China's public enterprises.

Cadbury (1992) demonstrated the importance of board independence as a measure of good corporate governance, which was reaffirmed by Fama and Jensen (1983) and Shleifer and Vishny (1997) using agency theory, as well as by Beasley (1997) using agency theory (1996).

Gavana, Gottardo and Moisello (2019) investigate financial communication quality in family and non-family businesses with emphases on the determinants of earnings management practices. Analyzing the connection between several types of visibility (exposure to financial press, proximity to the consumer, size of assets, sales and firm age, and earnings quality). The findings show that different visibility measures have varying effects on earnings management methods. They also suggest that family firms are less likely to engage in these unethical tactics, particularly in the face of financial press exposure and proximity to the consumer.

Theoretical review

Fraud Box Key Model

The theory is an advancement by Okoye and Onodi (2014) on the fraud diamond hypothesis, stating that even in the presence of all fraud supported factors (opportunity, pressure/incentive, rationalization and capacity), fraud still will not thrive in an environment with sound and effective corporate governance mechanism. Sound corporate governance has the capacity to deter earnings management practices in corporate entities. According to Fama and Jensen (1983), the board plays a crucial role in safeguarding shareholder stake by overseeing the management team.and looking out for sub-optimal tendencies.

Agency Theory

Agency theory claims that opportunistic managers can make a fuss of earnings management through the manipulation and arrangement of complex

transactions, enabling them to pursue self-interest. The separation of ownership from management has a lot of implications as to whose interest management act in the firm's reported numbers. According to Putra Syah and Sriwedari, (2018), the manifestation of the theory of agency within a company is very common, and one of the ways to do so is through earnings management, in which the managers take advantage of varying methods of valuation and recognition of assets, liabilities, capital, income, and expenses, leveraging on them to manipulate reported numbers while trying as much as possible to stay within government regulations. Weak governance setup,inadequate corporate transparency, as well as the absence of effective monitoring, could deteriorate the cost of agency between management and owners (Nguyen et.al, 2020). Managers tend to be opportunistic and redirect resources especially when their appraisal and rewards depend on reported numbers (Desai & Dharmapala, 2009).

Methodology

Research design: The study adopts panel data**,** involving data having both longitudinal and latitudinal design properties. This enables the researcher to ascertain the influence exerted by the explanatory variables on the explained variable from historical data.

Population and sampling technique: The population of the study consists of all quoted Money Deposit Banks in the Nigerian stock exchanges during the period 2011 to 2020. Therefore, the study adopts a total population sampling technique as a result of the concise nature of the population. Hence, the entire money deposit banks in the population formed the sample of the study. According to the International Centre for Investigative Reporting (ICIR,2020), the number of listed money deposit bank in Nigeria for the period 2011 to 2020 amount to thirty-three.

Sources of data: Secondary data on earnings management, Board size, board independence, board financial expertise, Firm Size, Firm age, Profitability for the periods 2012 -2020 was obtained from the financial statements of sampled banks.

Model Specification

The study intends to adapt the empirical model of Okike and Okougbo (2015). Where Earnings Management was hypothesized to be a function of board size,

board independence, board financial expertise, firm age, firm size and firm profitability of all money deposit banks in Nigeria .

The study modifies the model as follows:

$EMit = \beta 0 + \beta 1 BDSit + \beta 2 BINDit + \beta 3 FEXPit + \beta 4 AGEit + \beta 5 SIZEit + \beta 6 PROit\varepsilon it$ (1)

Where:

EM = Earnings Management

BDS = Board Size

BIND = Board Independence

FEXP = Board Financial Expertise

AGE = Firm Age

SIZE = Firm Size

ROA = Firm Profitability

The aprori expectation: $\beta 1-\beta 6>0$

The coefficients of the regression are $\beta 1, \beta 2, \beta 3, \beta 4, \beta 5, \beta 6$ while $\varepsilon$is the error term that captures other explanatory factors not explicitly included in the model.

Since the study is focused on Nigerian Banks, Earnings management is measured in line with Chang et al (2008) Model on Discretionary Loan Loss Provision and Earnings Persistence. Loan Loss Provision is a line item on the income statement that is set aside as a reserve for unpaid loans and loan payments. This provision is used to cover a variety of loan losses, including non-performing loans, customer bankruptcy, and renegotiated loans with lower payments than expected.The Chang et. al. model is used for measuring the DLLP in banks. The Chang et al Model would be used in the determination of earnings management using the formula below:

$LLP/TA_{t-1it} = \alpha_0\ 1/TA_{it-1} + \alpha_1 LCO_{it}/TA_{it-1} + \alpha_2 BBAL_{it}/TA_{it-1} + \varepsilon_{it}$

Where: $DLLP_{it} = \varepsilon_{it} = LLP_{it} - (\alpha_0\ 1/TA_{it-1} + \alpha_1 LCO_{it}/TA_{it-1} + \alpha_2 BBAL_{it}/TA_{it-1})$

LLP = Loan Loss Provision for firm i at time t.

LCO = the Loan Charge-offs for firm i at time t.

BBAL = the beginning balance of LLP for firm i at time t.

TA = the beginning total asset of firm i at time t.

e = the error term

Measurement of Variables

Variables	Proxies	Nature	Measurement	Sources
Earnings Management	Chang et al Model	Dependent	Chang et al Model on Discretionary Loan Loss Provision and Earnings Persistence	Machame (2021)
Corporate governance	Board Size	Independent	Number of executive and non-executive directors	Shayan-Nia, Sinnadurai, Zuraidah&Hermawan (2017)
Corporate governance	Board Independence	independent	Number of non-executive directors/ Board size *100	Kjærland et.al (2020)
Corporate governance	Board financial expertise	Independent	Percentage of board members having finance background	Machame, (2017)
Firm Size	Firm size	Control Variable	Natural logarithm of Total Asset	Igbinovia and Iyoha (2020)
Firm Age	Firm Age	Control Variable	Number of years since incorporation	Igbinovia and Iyoha (2020)
Profitability	Return on Asset	Control Variable	(Profit After Tax/Total Asset) *100	Igbinovia and Iyoha (2020)
loan loss provision	loan loss provision to asset ratio	Control Variable	Loan loss provisions expressed in ratio in relation to Asset ratio	Cheng et al (2008)

Source: Researchers' Computation 2022

Data Analysis and Result Presentation

Descriptive statistics, correlation, and least square regression technique are employed as tools of analysis using E-views 10.0. The results are presented and interpreted below;

Table 1: Descriptive Statistics of Variables

	EARNINGS MGT	FIN_EXP	BOARD_SIZE	BOARD_IND
Mean	0.049242	0.582530	13.93077	1.799148
Median	0.026350	0.585784	14.00000	1.833333
Maximum	0.141800	0.800000	21.00000	3.000000
Minimum	-0.523700	0.368421	6.000000	1.083333
Std. Dev.	0.069076	0.082760	3.194444	0.370190
Skewness	3.714722	-0.221766	-0.037135	0.358795
Kurtosis	21.20477	2.897289	2.629641	3.574652
Jarque-Bera	2094.138	1.122714	0.772861	4.577952
Probability	0.000000	0.570434	0.679478	0.101370
Sum	6.401401	75.72886	1811.000	233.8893
Sum Sq. Dev.	0.615526	0.883556	1316.377	17.67824
Observations	130	130	130	130

Source: Researchers' Compilation (2022)

Table 1 reveals the descriptive statistics for the various variables. It is observed that the variable, Earnings Management show the following statistics; Mean= 0.0492depicting that the Earnings management is about 4.9%, STD= 0.0690 which is low and it suggest that earnings management exhibit clustering around the mean values, Max= 0.14and Min= -0.52. FIN_EXPshow the following statistics; Mean= 0.58indicates that the average board has about 58% of its members having good knowledge of accounting and financial management. STD= 0.08 which is low and it suggest that financial expertise exhibit clustering around the mean values, Max= 0.80and Min= 0.36. Board size show the following statistics; Mean= 13.93,which indicates that the

average board size of sampled banks is 13. STD= 3.194 which is low and it suggest that Board size exhibit clustering around the mean values, Max= 21and Min= 6. Board independence show the following statistics; Mean= 1.79 which indicates that the on the average, the composition of non-executive directors in the board is about 1.79. STD= 0.37 which is low and it suggest that board independence exhibit clustering around the mean value, Max= 3and Min= 1.08.

Table 2: Correlation Result

	EARNINGS MGT	FIN EXP	BOARD_SIZE	BOARD_IND
EARNINGS MGT	1.000000	-0.112053	-0.011431	-0.115889
FIN_EXP	-0.112053	1.000000	0.008543	-0.001410
BIARD_SIZE	-0.011431	0.008543	1.000000	0.406461
BOARD_IND	-0.115889	-0.001410	0.406461	1.000000

Source: Researchers Compilation (2022)

The correlation coefficients of the variables are studied in table 2 above. The study's main focus is on the relationship between earnings management and the major explanatory variables. As observed, Earnings management has weak relationships with all examined explanatory variables though negatively correlated with financial expertise (r= -0.1120),board size (r= -0.0114) and board independence(r= -0.1158).The negative relationship indicates that increase in each of the explanatory variables (corporate governance variables) will lead to a decrease in the explained variable. All the explanatory variables exhibit significant relationship at varying degree of error term. The presence of multicollinearityis highly unlikely among the distributions. Because correlation analysis isn't the greatest method for assessing causality between variables, we move on to regression analysis.

Table 3: Regression Result

Dependent Variable: EARNINGS MGT

Method: Least Squares

Included observations: 130

Variable	Coef.	Std. Error	t-Stat.	Prob.
C	0.002374	0.035424	0.067012	0.9467
FIN_EXP	-0.082514	0.048671	-1.695342	0.0426
BOARD_SIZE	-0.000392	0.001483	-0.264203	0.7921

BOARD_IND	0.002740	0.011856	0.231092	0.8176
AGE	0.000356	0.000409	0.871268	0.3853
TOTAL_ASSET	4.080012	1.780012	2.284891	0.0240
ROA	0.012348	0.125021	0.098766	0.9215
LOAN LOSS PROVISION TO ASSET LAG	1.720403	0.128224	13.41714	0.0000
R-sq.	0.617977	Mean dependent var		-0.049242
Adjusted R-sq.	0.596057	S.D. dependent var		0.069076
S.E. of regression	0.043902	Akaike info criterion		-3.354132
Sum squared resid	0.235145	Schwarz criterion		-3.177668
Log likelihood	226.0186	Hannan-Quinn criter.		-3.282429
F-stat.	28.19317	D-W. stat		1.679098
Prob (F-stat.)	0.000000			

Source: Researchers Compilation (2022)

Discussion of findings

Board financial expertise exhibits a negative and significant impact (-0.082514) on Earnings management and statistically significant (p= 0.0426) at 5%. Board size exhibits a negative impact on earnings management and it is statistically insignificant. The result is in tandem with the findings of Chtourou, Bedard, &Courteau, 2001; Bugshan, 2005;Mnif, 2009;Roodposhti&Chashmi, 2010), whose studies on firms observed that board size is negativelyand significantly connected to earnings management. It contradicts the findings of Rashidah and Fairuzanana (2006) and Okike&Okougbo (2015).Board independence was seen to exert insignificant effect of earnings management in studied banks.

On the control variables, only firm size was seen to be a significant driver of earnings management in studied banks. The age of firms and the profitability seems to exert insignificant effect of earnings management.

The R squared statistics of about 61% and an adjusted R squared of 59.6% indicates that the model explains about 59.6% of the variation in the variable, earnings management. Alsothe F-statistic shows that the model is significant at both 1% and 5% levels. Thus the model measuring the relationshipbetween corporate governance and earnings management iswell fit and valid at 99% confidence level.The F-stat (28.193) and p-value (0.000) indicates that the hypothesis of a significant linear relationship between the independent and dependent variables cannot be rejected at 1%, 5% and 10% level while the D.W

statistics of approximately 2 indicates that the presence of serial correlation in the residuals which is not expected.

Summary of Findings

The summary of the study's findings are presented below;

1. Board financial expertise exhibits a negative and significant impact (-0.082514) on Earnings management and statistically significant (p= 0.0426) at 5% and 10% level.
2. Board size exhibits a negative (-0.000392) impact on earnings management and it is statistically insignificant (p= 0.033) at 5% and 10% level.
3. Board independence exhibits positive impact (0.002740) on earnings management and statistically insignificant (p= 0.8176) at 1%, and 5% level..
4. Discretionary loan loss provision exert a significant impact (1.720403) on earnings management and statistically significant (p=0.0000) at both 5% and 10% level.
5. On the control variables, firm age and profitability have insignificant effect on earnings management, but firm size exerts a significant effect (p = 0.0240) on earnings management in Nigerian quoted deposit money banks.

Conclusion and Recommendation

Focused on the dynamics of corporate governance and earnings management in Nigeria deposit money banks, the study applied Least Square Regression on thirty-three (33) Banks listed on the Nigerian Stock Exchange for the period 2011 to 2020. First, it is found that the association between corporate governance measures and earnings management practices in Nigerian Money Deposit Banks provides mixed outcomes. In ensuring that corporate governance is strengthened in Nigerian banks, emphasis should be on the financial expertise of board members to place a watch on management in curtailing potential earnings manipulation tendencies.

The study further advocates for a broad and more exhaustive range of corporate governance indicators incorporating both internal and regulatory aspects of corporate governance, including ownership concentration and board composition can be examined to observe their impact on earnings management. The study reaffirms the ability of corporate governance significant role in reducing unethical management tendencies to manage earnings.

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Appendix

Data for Analysis

Fiscal Year	Firms	*Earnings (Mgt) Persistence*	Board Size	Board independence	Fin. Expertise	TOTAL ASSET	AGE	ROA
2011	ECO Bank	-0.0091	16	2.285714	0.564	4,989,845,750	26	0.019799
2012	ECO Bank	-0.0322	16	2.285714	0.533333	4,984,845,750	27	0.019799
2013	ECO Bank	-0.0049	17	2.833333	0.588235	5,633,113,250	28	0.006558
2014	ECO Bank	-0.0284	16	1.6	0.6	6,060,890,500	29	0.011827
2015	ECO Bank	-0.0062	16	1.454545	0.5	5,888,479,750	30	0.008782
2016	ECO Bank	-0.0055	15	1.363884	0.461538	6,255,847,070	31	-0.00841
2017	ECO Bank	-8E-08	17	1.416903	0.5	6,864,070,824	32	0.010197
2018	ECO Bank	-0.0463	15	1.250208	0.571429	8,223,984,226	33	0.012423
2019	ECO Bank	-0.0067	18	2.25	0.6	8,621,939,805	34	0.011536
2020	ECO Bank	-0.5237	20	2.857143	0.5625	10,384,349,227	35	0.003249
2011	Access Bank	-0.0966	15	1.875	0.567	1,655,471,745	22	0.024503

2012	Access Bank	-0.0251	15	1.875	0.466667	1,745,471,745	23	0.022003
2013	Access Bank	-0.0225	12	1.333333	0.533333	1,835,466,000	24	0.019776
2014	Access Bank	-0.0221	13	1.625	0.529412	2,104,361,000	25	0.020464
2015	Access Bank	-0.0193	11	1.222222	0.5625	2,591,330,151	26	0.025419
2016	Access Bank	-0.0236	13	1.625	0.5625	3,483,865,564	27	0.020506
2017	Access Bank	-0.0228	14	1.4	0.588235	4,102,242,823	28	0.014647
2018	Access Bank	-0.0451	14	1.75	0.6	4,954,156,938	29	0.019172
2019	Access Bank	-0.0406	13	1.444444	0.611111	7,146,610,145	30	0.013644
2020	Access Bank	-0.0088	11	1.1	0.6	8,679,747,720	31	0.012213
2011	Fidelity Bank	-0.1931	16	2	0.546	914,364,500	24	0.04432
2012	Fidelity Bank	-0.0371	17	1.7	0.5	914,360,000	25	0.00199
2013	Fidelity Bank	-0.0262	17	1.888889	0.5	1,081,217,000	26	0.007141
2014	Fidelity Bank	-0.0195	16	1.454545	0.473684	1,187,025,000	27	0.011622
2015	Fidelity Bank	-0.0222	14	1.75	0.428571	1,231,722,000	28	0.011288
2016	Fidelity Bank	-0.0264	18	1.8	0.611111	1,298,141,000	29	0.004204
2017	Fidelity Bank	-0.0376	15	1.666667	0.533333	1,379,214,000	30	0.012883
2018	Fidelity Bank	-0.0195	15	1.666667	0.533333	1,719,883,000	31	0.01333
2019	Fidelity Bank	-0.0269	14	2.333333	0.571429	2,114,037,000	32	0.013446
2020	Fidelity Bank	-0.008	20	1.666667	0.5	2,758,148,000	33	0.009662
2011	First Bank Holding	-0.0815	7	1.166667	0.5433	3,044,129,000	32	0.2365
2012	First Bank Holding	-0.0197	6	1.5	0.5	3,186,129,000	33	0.02375
2013	First Bank Holding	-0.0192	7	1.166667	0.375	3,871,001,000	34	0.01694
2014	First Bank Holding	-0.0151	21	1.909091	0.636364	4,342,666,000	35	0.019556
2015	First Bank Holding	-0.0435	12	1.333333	0.583333	4,166,189,000	36	0.001176
2016	First Bank Holding	-0.1375	11	1.222222	0.636364	4,736,805,000	37	0.003619
2017	First Bank Holding	-0.1943	10	1.111111	0.7	5,236,537,000	38	0.007201
2018	First Bank Holding	-0.146	10	1.25	0.7	5,568,316,000	39	0.010715
2019	First Bank Holding	-0.1443	10	1.111111	0.7	6,203,526,000	40	0.011875
2020	First Bank Holding	-0.0082	13	1.083333	0.615385	7,689,028,000	41	0.01167
2011	First City Monumental Bank	-0.0929	15	1.875	0.54555	805,345,344	29	0.123333
2012	First City Monumental Bank	-0.0678	15	1.666667	0.733333	908,545,756	30	0.016644
2013	First City Monumental Bank	-0.0171	11	1.222222	0.666667	1,008,280,170	31	0.01587
2014	First City Monumental Bank	-0.0198	10	1.25	0.727273	1,169,364,784	32	0.018928
2015	First City Monumental Bank	-0.0217	10	1.25	0.6	1,159,534,176	33	0.004106
2016	First City Monumental Bank	-0.057	10	1.25	0.6	1,172,778,078	34	0.012226
2017	First City Monumental Bank	-0.043	12	1.333333	0.583333	1,186,179,155	35	0.007261
2018	First City Monumental Bank	-0.043	12	1.333333	0.7	1,431,298,022	36	0.01046
2019	First City Monumental Bank	-0.0542	10	1.428571	0.636364	1,668,505,795	37	0.010391
2020	First City Monumental Bank	-0.0134	11	1.571429	0.636364	2,058,393,492	38	0.009527

2011	Guaranty Trust Bank	-0.0548	14	2	0.43234	1,657,473,333	21	0.046532
2012	Guaranty Trust Bank	-0.0148	14	2	0.428571	1,734,877,860	22	0.050318
2013	Guaranty Trust Bank	-0.0172	14	2	0.428571	2,102,846,415	23	0.032928
2014	Guaranty Trust Bank	-0.0194	15	1.875	0.466667	2,355,876,526	24	0.040084
2015	Guaranty Trust Bank	-0.0219	16	2	0.466667	2,524,594,000	25	0.039387
2016	Guaranty Trust Bank	-0.0424	16	2	0.5	3,116,393,439	26	0.041601
2017	Guaranty Trust Bank	-0.0233	15	1.666667	0.466667	3,351,096,659	27	0.050107
2018	Guaranty Trust Bank	-0.0362	14	2	0.642857	3,287,343,000	28	0.056167
2019	Guaranty Trust Bank	-0.0318	14	2.333333	0.642857	3,758,918,770	29	0.052369
2020	Guaranty Trust Bank	-0.0052	14	2	0.642857	4,944,653,000	30	0.040739
2011	Stanbic Ibtc Holding	-0.0485	10	2	0.5643	567,489,700	22	0.147564
2012	Stanbic Ibtc Holding	-0.0487	10	1.666667	0.5	676,819,000	23	0.015007
2013	Stanbic Ibtc Holding	-0.0292	8	2	0.545455	665,412,000	24	0.033382
2014	Stanbic Ibtc Holding	-0.0287	9	1.8	0.571429	944,542,000	25	0.036482
2015	Stanbic Ibtc Holding	-0.0877	10	1.428571	0.5	937,564,000	26	0.020149
2016	Stanbic Ibtc Holding	-0.0499	10	1.428571	0.5	1,053,523,000	27	0.027071
2017	Stanbic Ibtc Holding	-0.042	10	1.666667	0.5	1,386,416,000	28	0.034896
2018	Stanbic Ibtc Holding	-0.023	10	1.666667	0.5	1,663,661,000	29	0.044745
2019	Stanbic Ibtc Holding	-0.0094	11	1.375	0.454545	1,876,456,000	30	0.039988
2020	Stanbic Ibtc Holding	-0.0053	11	1.375	0.454545	2,486,306,000	31	0.033468
2011	Sterling Bank	-0.0972	11	1.833333	0.6549	560,478,344	51	0.011874
2012	Sterling Bank	-0.0222	11	1.833333	0.636364	580,225,940	52	0.011984
2013	Sterling Bank	-0.0368	13	1.625	0.636364	644,339,285	53	0.012842
2014	Sterling Bank	-0.0263	16	1.777778	0.6875	824,539,426	54	0.010921
2015	Sterling Bank	-0.0245	15	1.875	0.588235	799,451,417	55	0.012875
2016	Sterling Bank	-0.0563	16	2	0.5625	834,192,000	56	0.006188
2017	Sterling Bank	-0.0247	15	1.876173	0.6	1,072,201,000	57	0.00748
2018	Sterling Bank	-0.0337	17	1.70068	0.705882	1,102,921,000	58	0.008358
2019	Sterling Bank	-0.0437	15	1.875	0.666667	1,182,685,000	59	0.008964
2020	Sterling Bank	-0.0067	14	1.75	0.642857	1,301,109,000	60	0.008988

2011	Union Bank Of Nig	-0.1878	18	2.25	0.61164	1,001,267,222	40	0.003652
2012	Union Bank Of Nig	-0.0188	18	2	0.611111	1,033,047,000	41	0.007139
2013	Union Bank Of Nig	-0.0339	18	2	0.764706	1,002,756,000	42	0.003825
2014	Union Bank Of Nig	-0.0284	19	1.583333	0.666667	1,009,157,000	43	0.026443
2015	Union Bank Of Nig	-0.0393	19	1.9	0.368421	1,046,892,000	44	0.013268
2016	Union Bank Of Nig	-0.0609	18	1.8	0.388889	1,252,682,000	45	0.012286
2017	Union Bank Of Nig	-0.0606	20	1.666667	0.8	1,455,540,000	46	0.008937
2018	Union Bank Of Nig	-0.1485	15	1.875	0.625	1,463,858,000	47	0.012328
2019	Union Bank Of Nig	-0.0414	16	1.6	0.5625	1,872,231,000	48	0.010616
2020	Union Bank Of Nig	0.0012	14	1.75	0.428571	2,191,026,000	49	0.008522
2011	United Bank For Africa	-0.0325	16	2	0.687	1,908,345,209	50	0.142221
2012	United Bank For Africa	-0.0154	16	2	0.6875	2,080,456,000	51	0.024743
2013	United Bank For Africa	-0.0165	19	2.714286	0.578947	2,642,296,000	52	0.017637
2014	United Bank For Africa	-0.0059	17	2.125	0.529412	2,762,573,000	53	0.017341
2015	United Bank For Africa	-0.0085	16	2	0.526316	2,752,622,000	54	0.021672
2016	United Bank For Africa	-0.0153	19	1.9	0.578947	3,504,470,000	55	0.020621
2017	United Bank For Africa	-0.0223	19	1.901141	0.578947	4,069,474,000	56	0.019056
2018	United Bank For Africa	-0.0105	19	1.9	0.588235	4,869,738,000	57	0.016142
2019	United Bank For Africa	-0.0253	20	2.222222	0.55	5,604,052,000	58	0.015897
2020	United Bank For Africa	-0.004	21	2.1	0.6875	7,697,980,000	59	0.014779
2011	Unity Bank	-0.0858	15	1.875	0.653	307,263,498	24	0.013657
2012	Unity Bank	-0.0235	16	1.777778	0.625	344,262,498	25	0.017952
2013	Unity Bank	-0.0883	15	1.875	0.5625	403,629,290	26	-0.05595
2014	Unity Bank	-0.1889	14	2	0.642857	413,305,111	27	0.025871
2015	Unity Bank	-0.1817	15	1.875	0.6	443,321,012	28	0.010577
2016	Unity Bank	-0.2166	15	1.875	0.6	492,681,647	29	0.004432
2017	Unity Bank	-0.2787	7	1.75	0.6	156,506,504	30	-0.09532
2018	Unity Bank	-0.0389	9	3	0.555556	235,976,190	31	0.00538
2019	Unity Bank	-0.0094	10	1.666667	0.555556	278,194,023	32	0.012161
2020	Unity Bank	0.0141	9	2.25	0.555556	492,020,329	33	0.00424
2011	Wema Bank	-0.3172	15	2.142857	0.582222	234,980,345	24	0.023462
2012	Wema Bank	-0.0931	15	1.875	0.583333	244,426,282	25	-0.02062
2013	Wema Bank	-0.0576	13	2.166667	0.538462	289,477,324	26	0.005515
2014	Wema Bank	-0.0166	13	2.166667	0.538462	382,562,312	27	0.006201
2015	Wema Bank	-0.0039	14	2	0.642857	396,743,314	28	0.00573
2016	Wema Bank	-0.0093	12	2	0.666667	424,043,580	29	0.006038
2017	Wema Bank	-0.0188	12	2	0.666667	388,153,526	30	0.005811
2018	Wema Bank	-0.0155	11	1.833333	0.666667	488,804,317	31	0.006805
2019	Wema Bank	-0.0419	11	1.571429	0.727273	715,869,814	32	0.007264
2020	Wema Bank	-0.0079	12	1.714286	0.692308	986,637,141	33	0.00513

2011	Zenith	-0.0397	14	2.333333	0.642832	2,098,364,778	21	0.045362
2012	Zenith	-0.0215	14	2.333333	0.642857	2,141,548,000	22	0.044888
2013	Zenith	-0.0159	12	2	0.666667	2,633,882,000	23	0.034773
2014	Zenith	-0.0811	12	1.714286	0.666667	3,755,264,000	24	0.026484
2015	Zenith	-0.007	12	1.714286	0.666667	4,006,842,000	25	0.026371
2016	Zenith	-0.0216	13	1.857143	0.615385	4,739,825,000	26	0.027354
2017	Zenith	-0.0372	14	2.333341	0.642857	5,595,253,000	27	0.03106
2018	Zenith	-0.0293	13	2.164502	0.615385	5,955,710,000	28	0.032477
2019	Zenith	-0.0311	14	2.333333	0.571429	6,346,879,000	29	0.032905
2020	Zenith	-0.0062	13	2.166667	0.615385	8,481,272,000	30	0.027185

Dependent Variable: EARNINGS MGT
Method: Least Squares
Date: 09/29/21 Time: 21:06
Sample: 1 130
Included observations: 130

Variable	**Coef.**	**Std. Error**	**t-Stat.**	**Prob.**
C	0.002374	0.035424	0.067012	0.9467
FIN_EXP	-0.082514	0.048671	-1.695342	0.0426
BIARD_SIZE	-0.000392	0.001483	-0.264203	0.7921
BOARD_IND	0.002740	0.011856	0.231092	0.8176
AGE	0.000356	0.000409	0.871268	0.3853
TOTAL_ASSET	4.080012	1.780012	2.284891	0.0240
ROA	0.012348	0.125021	0.098766	0.9215
LLPT_LOAN_LOSS_PROVISION_TO_ASSET_LAG	1.720403	0.128224	13.41714	0.0000
R-sq.	0.617977	Mean dependent var		-0.049242
Adj. R-sq.	0.596057			
S.E. of regression	0.043902			
Sum sq.resid	0.235145			
Log likelihood	226.0186			
F-statistic	28.19317	Durbin-Wat. stat		1.679098
Prob(F-statistic)	0.000000			