

**Audit Quality, Earnings Management and Financial Performance of Nigerian Listed
Deposit Money Banks**

Bilikis Olayemi AKINLEYE

LCU/PG/0001613

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Certification

This thesis entitled Effect of Earnings Management and Audit Quality on the Financial Performance of Listed Deposit Money Banks in Nigeria was carried out Akinleye Bilikis Olayemi with Matric No. LCU/PG/001613 in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University Ibadan, Nigeria under my supervision.

Professor Adeyemo K. A

Supervisor

Date.

Dr. Akinbo T.M

Head of Department

Date.

Dedication

This research work is dedicated to all those who desire and crave for knowledge but are constrained due to certain limitations there is always hope abounding around the corner.

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Acknowledgement

My profound gratitude goes to the Almighty God, my Creator and Giver of life for making this another gift from him to me. Whatever I am today and that I will ever be is by him. To him I give all the glory and praises.

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Abstract

The research examines the effect of audit quality, earnings management, and financial performance of deposit money banks in Nigeria. The research adopted Ex post facto research design for the study. The study will also investigate how accrual earnings management affect the financial performance of listed Deposit Money Banks in Nigeria. It is also to examine the impact of real earnings management on the financial performance and to evaluate the influence of audit quality on the financial performance of listed Deposit Money Banks in Nigeria. Apart from this the research will also ascertain how audit quality moderate the impact of accrual earnings management on the financial performance and the way in which audit quality moderates the influence of real earnings management on the financial performance of listed Deposit Money Banks in Nigeria. Data for the study will be sourced from the financial statement of 12 deposit money banks on the Nigeria stock exchange market for period of 13 years (2009-2021). The 2009 was choosing as a base year as a result of measures taking by CBN to ameliorate the global financial melt-down which has weakened growth considerably in the first quarter of 2009 to 4.85 per cent from 5.75 per cent estimated for 2008 and projections for the future were not encouraging. The population of this study comprises 12 Deposit Money Banks, census sampling technique will be used. This is referred to as complete enumeration, which means a complete count. Thus, this study will include all 12 Deposit Money Banks as samples in this study. Hence, the sample size is 12, while the sampling technique to be used is census sampling technique. Secondary data will be obtained from the audited Annual Reports of the 12 banks companies and the fact book published by Nigeria Stock Exchange. Data collected will be analyzed using percentages, generalized method of moments, pooled OLS, fixed effect, random effect and feasible generalized least square panel regression. It is therefore expected that the introduction of audit quality as moderating variables will be positive and make a significant impact on financial performance of Deposit Money Banks in Nigeria.

Key words;

Audit quality, this simply refers to matters that contribute to the likelihood that the auditor will achieve the fundamental objective of obtaining reasonable assurance that will the financial report as a whole is free of material misstatement.

Earnings management on the other part are the technique to produce financial statements that represents an overly positive view of a company business activities and financial position.

Financial Performance, this is a complete evaluation of a company overall standard in categories of Assets, Liabilities ,equity ,expenses, revenue and profitability.

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Chapter One

Introduction

1.1 Background to the Study

The banking sector represents a fundamental pillar of financial intermediation in any economy. In Nigeria, the fusion of banking services with information and communication technology (ICT) has brought about a transformative wave in the banking industry. This evolution has led to a shift from traditional brick-and-mortar banking to branchless banking, driven by the widespread adoption of the internet and various ICT tools¹. Recent abrupt shifts have been chiefly propelled by factors such as lowered prices, time efficiency gains, heightened sales figures, reduced expenses, and the introduction of round-the-clock, single-click banking options for clients. Technological progress has steered the banking sector into an era of cashless transactions¹.

Deposit Money Banks are vital to the banking system and the economy. Deposit money banks have traditionally been positioned in areas where consumers can come and do routine banking transactions using teller windows and automated teller machines (ATMs)². Due to technological advancements, most banks now promote online execution of various in-person activities, including transactions, deposits, and bill payments, among others, for their customers². Deposit Money Banks play a crucial role in fostering capital growth, enhancing market liquidity, and providing essential services to their clientele. Their operations involve loaning out funds sourced from their clients' investments to other parties, which in turn facilitates credit creation, ultimately driving production, employment, consumer spending, and overall economic growth. Consequently, central banks enforce stringent regulations on Deposit Money Banks to ensure their responsible conduct in the financial system². Central banks, as an illustration, establish reserve mandates for deposit money institutions. This means that banks are obligated to retain a portion of their customer deposits with the

central bank as a precautionary measure in case there is a sudden surge in withdrawals by the public ³.

Deposit-taking banks play a crucial role in utilizing funds to facilitate capital formation ³. Consequently, Deposit Money Banks play a pivotal role in aggregating savings through their branch banking networks. Even individuals with modest incomes in developed nations can participate in investments, thanks to various deposit schemes tailored to their specific requirements. Additionally, banks utilize the idle savings of affluent individuals, channelling these funds into profitable endeavours. This, in turn, fosters the expansion of a nation's capital and contributes to its overall growth ².

Deposit money banks also contribute to industry funding ³. Deposit Money Banks help the manufacturing sector in a variety of ways to accomplish this. They provide short-, medium-, and long-term finance to the industry. Deposit money banks also contribute to trade funding ³. Deposit money banks contribute to the funding of both domestic and international trade. Banks make loans to merchants and wholesalers so that they can store the commodities they sell. They facilitate the movement of commodities by offering a variety of services such as discounting and approving exchange bills, facilitating overdrafts, issuing drafts, and so on. Furthermore, they finance both developed-country imports and exports by providing foreign exchange facilities to both importers and exporters of goods.

Money Deposit banks also contribute to the putting up the money for of job-creation efforts ³. Deposit Money Banks specifically promote job-creation activities in developed countries. They make educational loans available to students enrolled in engineering, medicine, and other higher learning vocational institutions. They give loans to aspiring entrepreneurs, new medical and engineering graduates, and other technically savvy individuals who are starting their own businesses. A lot of deposit money banks in India offer various loan choices. As a

result, banks play an important role in both the development of human capital and the spread of entrepreneurship in developing countries¹.

Finally, deposit money banks contribute to monetary policy. Deposit Money Banks actively pursue the central bank's monetary policy, which promotes a country's economic success. To meet the demands of a rising economy, central banks rely on deposit money institutions to properly implement their monetary management policies. As a result, Deposit Money Banks play a crucial part in an economy's growth through lending to trade, industry, and agriculture, promoting monetary policy, and "assisting in the creation of physical and human resources"³.

A robust financial system, encompassing a stable banking sector, plays a pivotal role in driving a nation's economic advancement. Deposit Money Banks serve as a vital conduit for executing monetary policies and facilitating economic transactions. They also play a critical role in channelling savings into investments, thereby fostering economic expansion⁴.

Disruptions in financial markets, on the other hand, can not only impede the flow of "financial intermediation," but also undermine the effectiveness of monetary policies, exacerbate economic downturns, cause capital flight and exchange rate pressures, and impose significant government burdens when attempting to rescue failing financial institutions⁴.

Hence, it is imperative to establish robust financial structures that are rigorously regulated and closely monitored to ensure both domestic and global economic and financial stability.

According to economic analysis, a well-functioning banking system can promote economic growth and reduce poverty, but a malfunctioning banking system might stymie economic progress⁵.

Despite the importance of deposit money banks in stimulating economic growth indicated above, Nigerian deposit money banks continue to lag behind deposit money banks in other nations. Since 2011, Nigeria's deposit money banks have been plagued by a large amount of

nonperforming loans, weak corporate governance, poor credit management, and failure to fulfil regulatory liquidity and capital ratios ⁵.

Moreover, when compared to other countries across the globe, Nigerian banks make an insufficient contribution to the country's GDP. To illustrate this point, even in comparison to specific African nations, Nigeria lags significantly behind in terms of bank assets as a percentage of GDP. By considering the average for the year 2017, Nigeria holds the 146th position in this ranking, trailing behind countries like Niger (ranked 143rd), Swaziland (ranked 139th), Rwanda (ranked 138th), Ghana (ranked 135th), Burundi (ranked 136th), Zimbabwe (ranked 134th), and Gambia (ranked 132nd). Additionally, several other African countries, including the Mali, Benin, Burkina Faso, Republic of Congo, Angola, Botswana, and Senegal, outperform Nigeria in this regard. Mauritius holds the top spot among African nations. This data unequivocally highlights that Nigerian Deposit Money Banks are not realizing their full potential and require immediate intervention ⁶.

Furthermore, the most recent World Bank Nigeria Development Update blames "the COVID-19 shock" for the considerable financial risks of destabilization that Nigerian institutions are currently experiencing⁷. On page 21 of the 88-page report, it was stated that the pandemic could jeopardize the banks' largely favourable 2019 results, and that there is a strong possibility that the sector's current level of relative stability will deteriorate⁷. This explains why Nigerian Deposit Money Banks risk having poor financial returns. There is a risk of an increase in non-performing bank loans, particularly in regard to credit exposure to the nation's & gas sector ⁷.

According to published data, the comparatively poor performance of Nigerian deposit money banks can be attributed to a number of factors. Nonperforming loans, insufficient capital, and rampant corruption are all challenges. The purpose of this study is to determine how corruption inside the system has hampered the development of Nigerian deposit money

institutions. Corruption, like many other things in Nigeria, has found a home in the banking industry, with inadequate corporate governance frameworks and unethical leadership at its foundation. The executive management's financial mismanagement or corruption has impacted the success and sustainability of Nigerian banks¹¹.

Nigerian Deposit Money Banks frequently hide their genuine financial situation because dishonest tactics such as earnings management and poor financial reporting may have entered the Nigerian banking industry. A company's management adopts the "earnings management" technique to actively limit earnings in order to meet predetermined goals. As a result, corporations aim to keep profits relatively stable, rather than announcing exceptionally excellent profits a year and low profits the next. Thus, earnings management refers to the activity of managers influencing how stakeholders view the company's financial status by applying their accounting judgment⁸.

The fundamental objective of audited financial statements, on the other hand, is to give trustworthy and high-quality financial data about economic entities thought to be significant to economic decision-making. High-quality audited reports are necessary to promote overall stock market efficiency because they boost the confidence of accounting information consumers, such as investors, capital providers, and other stakeholders, in making investment, credit, and other resource allocation choices⁹. According to International Auditing Standards [IAS], the norm of the dependability of audited financial statements is a more general term that incorporates the study's decision-making and the quality of financial information⁹. In this study, it will be examined how well-audited financial statements affect Nigeria's deposit money bank's ability to draw foreign investors as a developing country. It should be highlighted that audited financial statements play an important role in persuading potential investors to invest in private company shares or to give grants, loans, or consulting-related investments in the developing countries¹⁰.

Extreme flaws in certified financial reporting accuracy have resulted in high-profile scandals that have cost investors money while also eroding public trust in the financial system¹¹. The Enron and World Com accounting scandals, among others, the defunct Spring Bank, Oceanic Bank, Afribank, Intercontinental Bank, and Bank PHB, the Economic and Financial Crimes Commission (EFCC) detention of several bank chief executives, and the Cadbury crisis all involve financial reporting fraud and deficiencies in accounting knowledge in the United States¹¹. Banks frequently sent erroneous, late, and incomplete reports to the CBN and investors, making it difficult for the CBN to adequately oversee the industry and for investors to obtain the information they required to make sound investment decisions ¹¹. To prevent making the same mistakes, it is critical to investigate how earnings management and audit quality have impacted the financial performance of Nigerian deposit money institutions.

1.2 Statement of the Problem

A review of the literature finds that little research has been conducted, particularly in developing nations such as Nigeria, on the relationship between earnings management, the accuracy of audited financial reporting, and financial performance. The majority of research and studies conducted outside of Nigeria's borders may be irrelevant to our surroundings^{12,13}. Despite the literature's links between these components, only the direct link between earnings management, audit quality, and performance has received significant attention. The study's findings suggest that audit quality may act as a buffer between earnings management and the financial performance of Nigeria's publicly traded deposit money institutions¹⁴. This is significant because profit management can have a considerable impact on audit quality, and audit quality can also improve the financial performance of Nigerian deposit money banks¹². Despite their alleged importance in the literature, the researcher is unaware of any study that has examined the relationship between earnings management, audit quality, and financial

success in a single study. Furthermore, the researcher is unaware of any work that has examined audit quality as a potential mediating factor between earnings management and financial performance.

Furthermore, the majority of earlier studies in this sector have conducted their research over periods of time of 10 years or less. As an example, a study used a 9-year time frame, while a 10-year time frame was used by¹¹. The 13-year scope of this study, through 2009 to 2021, aims to increase the body of knowledge¹⁵. This will support the researcher's ability to draw comprehensive conclusions from the literature. To address the aforementioned gap in the research, this study will evaluate the mediating function of audit quality in the relationship between earnings management and financial performance of listed Deposit Money Banks in Nigeria. In this study, the three proxies most commonly used in the literature to determine audit quality will be used. Audit Firm Specialization, Audit Fees are two examples.

1.3 Aim and Objectives of the Study

The study's main objective is to examine the roles of audit quality and earnings management on the financial performance of Nigerian listed deposit money banks. The specific objectives include:

- i. to assess the extent to which the financial performance of Nigeria's listed Deposit Money Banks depends on accrual earnings management.
- ii. to analyze the influence of real earnings management on the monetary performance of Nigeria's listed Deposit Money Banks.
- iii. to investigate how audit quality impacts the financial performance of Nigeria's listed Deposit Money Banks.
- iv. to examine the relationship between audit quality and the impact of accrual earnings management on the financial performance of Nigeria's listed Deposit Money Banks.

- v. to evaluate the impact of real earnings management on the financial performance of Nigeria's listed Deposit Money Banks.

1.4 Research Questions

The research work will answer the following research questions:

- i. How much does accrual earnings management affect the financial performance of Nigeria's listed deposit money banks?
- ii. What impact does real earnings management have on the financial performance of Nigeria's listed deposit money banks?
- iii. How does audit quality affect Nigeria's listed Deposit Money Banks' financial performance?
- iv. How does audit quality influence accrual earnings management's impact on the financial performance of Nigeria's listed Deposit Money Banks?
- v. How does audit quality affect real earnings management's impact on the financial performance of Nigeria's listed deposit money banks?

1.5 Research Hypotheses

The following are formulated hypotheses for this study:

H₀₁: The financial performance of Nigeria's deposit money banks is not significantly impacted by the management of accrual earnings.

H₀₂: The financial performance of Nigeria's Deposit Money Banks does not have a significant effect on real earnings management.

H₀₃: The financial performance of Nigeria's deposit money banks is not significantly impacted by audit quality.

H₀₄: The effect of accrual earnings management on the financial performance of listed Deposit Money Banks in Nigeria is not moderated by audit quality.

H₀₅: The influence of actual earnings management on the financial performance of listed Deposit Money Banks in Nigeria is not moderated by audit quality.

1.6 Significance of the Study

A noteworthy addition to the existing body of knowledge lies in the utilization of a unified model to scrutinize the influence of earnings management and audit quality on the financial performance of listed Deposit Money Banks in Nigeria. This approach is particularly distinctive as prior studies have not explored these issues using a single model. Many earlier investigations in this domain omitted the possibility of indirect linkages between these variables and focused solely on the direct effects of audit quality and earnings management on the financial performance of listed deposit money banks in Nigeria. Consequently, the consideration of audit quality as a plausible mediating factor between earnings management and financial performance stands out as a noteworthy contribution to the research landscape^{16, 17, 18, 19}.

Money Deposit Banks in Nigeria may see certain setbacks in terms of their financial performance as a result of the possible damage Covid-19 may have on their finances. They may use the innovative suggestions from this study to successfully manage the impact of Covid-19 on their operations, and they will profit from it. In other words, if Money Deposit Banks in Nigeria heed the guidance offered by this study, they could be able to function profitably⁷.

The findings of this research could also serve as a guide for governmental regulatory agencies like the Central Bank of Nigeria (CBN) as they draft rules to guarantee that Nigeria's Deposit Money Banks function profitably. The economy would gain if Deposit Money Banks in

Nigeria operated efficiently since they would increase their GDP contributions and be able to increase job creation, which would lower the country's extraordinarily high unemployment rate. Finally, this study can be used as a template by future researchers who are willing to conduct a similar study.

1.7 Scope of the Study

This study will concentrate on the impact of earnings management, audit quality, and the financial performance of listed Money Deposit Banks in Nigeria in order to bridge the aforementioned research gaps. The 13-year research period, which stretches from 2009 to 2021, will be covered. Due to the CBN's efforts to alleviate the effects of the global financial crisis, which severely decreased growth from the 5.75 percent expected for 2008 in the first quarter of 2009 and provided little grounds for optimism for the future, 2009 was chosen as the base year. In an effort to improve the flow of credit for profitable investment, the CBN reduced the MPR by 175 basis points in April 2009, as well as the liquidity and cash ratios from 30% and 2%, respectively, to 25% and 1%. The independent criteria are earnings management, earnings quality, accounting conservatism, and accruals quality. The overall audit quality is the mediating component. The dependent variable is financial performance²⁰.

1.8 Limitation of the Study

The research identified several limitations that could serve as a starting point for further investigation. Firstly, the study only included listed Deposit Money Banks in its dataset. A more comprehensive perspective could be achieved by expanding the sample size to encompass all financial sector banks, insurance companies, and investment organizations. This broader scope would enable a comparative analysis of the effectiveness of audit quality and earnings management in enhancing corporate performance. In addition, among the many metrics suggested in the literature, the study concentrated on a single measure of accrual

earnings management and a single measure of real earnings management. The findings' capacity to be generalized may be impacted by this narrow emphasis.

Last but not least, the study substituted return on assets and earnings per share for market performance indicators like Tobin Q when evaluating corporate performance. Alternative proxies might produce results that are different from those mentioned in this study, so keep that in mind.

1.9 Operational Definition of Terms

- i. **Earnings management** is the intentional alteration of the financial reporting process for one's benefit. It comprises creating fake books of account by exploiting flaws in accounting methods.
- ii. **Earnings:** Earnings are the company's annual final fiscal yield, and profit maximization is the key driver of profit-making organizations.
- iii. **Audit Fees:** As payment for the audit services, a logarithmically translated Naira value was paid to the auditor. The payment auditors get in exchange for providing their services to a company or client is known as an audit fee.
- iv. **Audit quality:** is an auditor's capacity and objectivity to find and disclose material misstatements.
- v. **Income Smoothing:** is a method of showing a "stable income stream" across time by moving reported profits from a company's prosperous periods to its loss-making ones.
- vi. **Window Dressing and Secret Reserves:** Any item on the balance sheet or profit and loss statement could be the topic of this adjustment, which aims to have the greatest impact on the financial situation of the organization at a certain point in time.
- vii. **Off Balance Sheet Financing:** when an organization's total debt increases but the new borrowing is not shown on the financial accounts of the company.

- viii. **Big Bath Techniques:** Management will apply the "big bath" technique to control profitability when a company is going through a restructure.
- ix. **Real Earnings Management:** Real earnings management is the deliberate choice of operational actions by managers to affect actual cash flow in order to affect reported results. It implies that managers are acting in ways that differ from accepted norms in order to boost profits by altering certain business operations.
- x. **Accrued Earnings Management:** This phrase refers to the manipulation of earnings through the use of accounting methods that adhere to GAAP.
- xi. **Accruals:** represent the difference between earnings and cash flows and are a regular component of business transactions.
- xii. **Age of a firm:** is determined by adding the years of listing and observation. A corporation's age is determined by how long ago its founding was.
- xiii. **Financial performance:** is the assessment of a business's activities, strategies, and policies in terms of its financial performance. These results are reflected in the company's return on assets and return on investments.

Endnotes

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Chapter Two

Literature Review

This section outlines the study's conceptual and theoretical foundations on earnings management, audit quality, and financial performance. This section also includes a critical analysis of previous studies that are relevant to the current one in order to discover areas of overlap and divergence as well as significant research needs.

2.1 Conceptual Review

2.1.1 Concept of Earning Management

As the central aim of profit-oriented businesses is to maximize profits, Earnings are considered the annual ultimate financial yield of a company¹. Both internal and external users of financial data use them as a standard for assessing financial performance, "they exert significant influence on the company's overall financial prosperity. Financial reporting is a common means of elucidating the company's financial performance to its stakeholders¹. Financial reporting serves as the accounting medium through which management discloses confidential details about the company's operations to stakeholders. It enables financial statements to efficiently and accurately reflect alterations in the company's financial status and performance. To enhance financial reporting, managers have the discretion to choose estimations and reporting methods that align with the company's economic reality. However, this also provides them with an opportunity to influence earnings¹. The notion of income manipulation originated from the delicate balance between the importance and accuracy of financial disclosure. As per a study, exceptionally pertinent financial reports focus regarding the current worth of anticipated future cash inflows, On the other hand, exceptionally reliable financial reports only depict actualized cash flows ². Due to the necessity for a balance between relevance and reliability mandated by accounting standards and regulations, financial reporting is consequently associated with certain aspects of managerial judgment. In

the scholarly accounting literature, there are various definitions for earnings management². It stems from the strategic exercise of discretion in financial reporting³. In its early depiction, earnings management was characterized as a deliberate involvement in the external financial reporting procedure, aimed at securing personal gains. To influence profits, management opts to alter its accounting practices in a particular manner, effectively manipulating earnings to the advantage of the managers.

In financial accounting literature, earnings management is commonly employed as a measure of earnings quality. Greater quality is favored, and a higher degree of absolute earnings management is seen as indicative of inferior earnings. The examination of earnings management can be approached through the lenses of informative conduct and opportunistic conduct. Strategic earnings management seeks to improve the utility of financial statement data and the importance of financial reporting. From an opportunistic standpoint, managers act in a self-serving manner and, in doing so can erode value through their choices and behaviours. After the Enron scandal in the United States and similar accounting controversies in Nigeria, particularly in deposit money banks like the collapses of, Oceanic Bank Plc, Bank PHB, Intercontinental Bank Plc., and Afrikbank Plc, researchers worldwide have taken a keen interest in the practice of earnings management. The revelation of allegations of wrongdoing involving bank executives and board members within deposit money institutions in Nigeria have prompted concerns regarding their integrity and trustworthiness of financial reports prepared by professional accountants and the moral principles upheld by the accounting field⁴.

Even with the various measures put in place over the last decade to enhance transparency and in still trust in the precision of financial reporting, Nigerian companies can still employ earnings management techniques to manipulate their financial reports. This is especially pertinent considering that, unlike unlawful activities categorized as fraudulent cases³.

Specific managerial methods are lawful and conform to the permissible flexibility outlined in accounting standards. Strategies for earnings management have gained traction within deposit money banks, aimed at luring unsuspecting investors and gaining undue accounting-related benefits, managers of bank can skilfully paint an illusionary, bank's deceitful picture of the financial status. The esteemed minister of the Federal Ministry of Commerce and Industry, Senator Jubril Martins-Kuye (OFR) In September 2010, officially initiated the implementation of International financial reporting standard. Every stakeholder was required to integrate IFRS by January 2014, while deposit money banks, categorized as Public Listed Entities and Significant Public Interest Entities, were to adopt it by January 2012. Nigerian businesses adjusted in compliance with the International Accounting Standards Board's guidelines. The application of IFRS by deposit money institutions in Nigeria has led to substantial enhancements in the creation of financial statements and disclosures, surpassing the previous General Accepted Accounting Principles (GAAP) in effect before the adoption of IFRS³. According this study, to they also detailed improper revenue recognition as an instance of intentional misrepresentation⁵. Earnings management encompasses the exercise of accounting discretion, purposeful misrepresentation, or the legitimate alteration of transactions to manipulate the figures presented in financial statements, thereby influencing outcomes reliant on these reported accounting figures. Regular alterations to depreciation calculation techniques to maintain ratios applied in debt agreements another instance of employing accounting judgment to alter a result contingent on reported figures⁵. Earnings management refers to the practice of manipulating financial data to portray a company's financial position and performance. It exploits loopholes in accounting regulations to manipulate the company's financial records, this can be done either to mislead shareholders regarding a company's actual financial performance or to influence contracts that rely on the financial numbers²¹. Likewise, earnings management is described as the deliberate

adjustment of financial data with the aim of misleading both prospective and existing investors regarding a corporation's fundamental economic state, or to secure specific contractual advantages that are significantly influenced by alterations in accounting figures⁶. Extensive literature has delved into the incentives behind wage manipulation. This practice has been identified as a strategy to enhance managers' remuneration and augment shareholder value, achieved through innovative accounting techniques and the smoothing of income⁷. Consequently, the objective of "window dressing financial statements" encompasses the aim of elevating managers' compensation, ensuring job security, averting misrepresentation of debt records, and either minimizing or maximizing advantages¹. Embracing the present, sporadic significant write-offs, smoothing of income, and maximizing variability are all recognized as¹. Earnings manipulation is often referred to by different names such as "income smoothing, financial statement manipulation," creative accounting, and cosmetic adjustments. "Profitability management" involves managers in companies providing a distorted representation of their company's profitability by using financial systems and methodologies⁸. Furthermore, it is confirmed that the self-serving manipulation of earnings diminishes their quality and undermines the trustworthiness of financial reports⁹. By prioritizing managers' interests, opportunistic earnings management comes at the detriment of stakeholders¹⁰. This is due to the fact that key individuals, both within and outside the company, rely on the inaccurate earnings provided by managers to inform their choices regarding loans and investments. Contrary to prior assertions, it was explained that financial statement management is a lawful approach to financial reporting, with the objective of ensuring a consistent bottom line. Therefore, It should not be confused with Managers can take advantage of this by recording revenues prior to their actual earning or postponing the acknowledgment of incurred expenses, leading to accruals. This form of earnings management, based on accruals, happens when managers intervene in the financial reporting

process through the use of discretion and judgment to alter reported earnings, without any impact on cash flow³. Accrual-Based Earnings Management (ACCEM) takes on an aggressive stance when managers accelerate earnings from a future period, resulting in discretionary accruals. In contrast, Real Earnings Management involves managers purposefully making operational decisions that directly impact cash flows, aiming to modify reported earnings. As an example, managers may postpone maintenance expenses to inflate reported earnings. Furthermore, a company might provide price discounts and offer more lenient credit terms to customers to temporarily bolster sales revenues. Additionally, managers may strategically cut back on research and development expenses in order to decrease costs on the income statement⁴. In Accrual-Based Earnings Management (ACCEM), activities like setting allowances for receivables and determining the timing for asset write-offs are involved. On the other hand, activities associated with Real Earnings Management (REM) include manipulating R&D expenses, managing surplus production, altering sales, and adjusting advertising costs. The manipulative actions undertaken by managers in organizations exert notable impacts on various accounting performance metrics such as return on assets, return on equity, and return on capital employed, among others. Similarly, intentionally adjusting the timing of an investment or restructuring a business operation and financial transaction with the aim of deliberately changing the reported earnings constitutes real earnings management³. Earnings management is a method that allows companies to present financial statements that enhance their financial performance, all while staying in compliance with Generally Accepted Accounting Principles (GAAP)¹¹. This is a pressing concern that has escalated in both magnitude and frequency. It undermines the precision of financial statements, leads to substantial economic losses, and undermines investors' confidence in the credibility and reliability of financial reports¹².

Over time, scholars have raised inquiries about the increasing prevalence of earnings management, even with the multitude of regulations and standards governing the reporting process. This phenomenon is attributable to the inclination of financial managers to manipulate data in order to augment income and secure job stability, avoid breaching lending contracts, minimize regulatory expenses, or secure regulatory benefits¹³.

It's improbable that the standard portion of accruals, including non-discretionary ones, would be employed for earnings manipulation¹⁴. Hence, it is crucial to keep a close watch on unusual accruals, commonly known as discretionary accruals. This led to the development of various models, including the Jones Model, which involves subtracting anticipated regular accruals from the total (1991). Unlike discretionary accruals, non-discretionary accruals are not influenced by management's discretion and instead reflect the anticipated level of accruals if earnings were not artificially inflated¹⁵. It's unlikely that these non-discretionary accruals are indicative of earnings management¹⁶. The main challenge in earnings management might lie in abnormal accruals, which are also referred to as discretionary accruals. The decision to incorporate assets and liabilities associated with discretionary accruals in the financial statement is contingent on whether it improves the comprehension of the data or not, and this determination is made by management. It is determined by subtracting the non-discretionary accruals from the total accruals. Various models can be utilized to compute non-discretionary accruals³³. The models include the adjusted Jones model, the balance sheet model, and the cash flow model. In the model of cash flow the total accrual is determined by the excess of cash generated from operations over income before extraordinary items. On the other hand, the balance sheet approach employs current liabilities and current assets to compute the total accruals. It was noted that the accuracy of the statement of financial position model is considered to be lower compared to the model cash flow¹⁷.

2.1.2 Accrual Earnings Management

Accruals, a standard element in a firm's financial activities, represent the disparity among earnings and movement of cash for instance, a sale made on credit by a company is recorded as revenue regardless of whether cash has been received. Consequently, this results in the creation of an account receivable, which is subsequently nullified upon the receipt of future cash¹⁶. Accounting methods provide management with a certain level of flexibility in how they use financial information. Managers can take advantage of this flexibility by either combining expenses or postponing the acknowledgment of income that has already been earned, which leads to the occurrence of accruals. Accruals-based earnings management involves managers intervening in the financial reporting process, utilizing their discretion and judgment to alter reported outcomes without impacting cash flow. Companies have the option to adopt an assertive approach to accounting decisions, boosting earnings in the present by pulling earnings from a future period. This can be achieved through expediting sales or decelerating expenses. Discretionary accruals according to the literature, this is the outcome³. Due to the natural reversal of accruals over time, the profits carried over from the prior period will be automatically deducted from earnings.

2.1.3 Managing Real Earnings

Genuine earnings manipulation occurs when managers intentionally make operational choices that impact actual cash flow in order to manipulate reported earnings. For instance, a company may provide customers with temporary sales discounts and more lenient credit terms to temporarily boost sales revenue. Furthermore, managers can take advantage of opportunities to reduce research and development expenses, thereby decreasing costs reported on the income statement. Managers may also postpone maintenance expenses to improve the presented earnings. This form of earnings management behavior involves

purposeful actions taken to influence reported earnings in a particular manner¹⁸. This conduct can be clarified by altering the timing or structure of an investment, operational process, or financial transaction. This rationale is consistent with the notion outlined in¹⁷. Companies may also choose to diverge from financial conventions in order to influence earnings. Stock options, which don't entail immediate monetary rewards, are issued when actual earnings fall just slightly below the earnings target. Enterprises may decide to alter their standard operations to control earnings and reach their desired profit margin. However, such a move could potentially have adverse implications for the company's future financial prosperity¹⁹. Earlier studies has identified various methods to manipulate earnings by diverging from standard corporate practices including those conducted by^{20, 19}, and²¹. These approaches can be categorized as deviations from both operational and investment endeavours, as well as departures from financial operations. For instance, companies can choose to adjust their discretionary expenses in areas like selling, general, and administrative (SG&A) as well as research and development (R&D) costs, thus deviating from their usual operational and investment strategies. Under IFRS guidelines, marketing and research expenses are recorded in the period they are accrued. Consequently, acknowledging these costs right away affects the reported revenue by lowering it. Due to uncertainties regarding the development of a product or service, the expenses accrued during the development phase are expensed initially, rather than being capitalized. (Source: IASB 1998, IAS No. 38, para. 57). Consequently, postponing development projects could lead to an increase in profits. Moreover, companies might deviate from their regular operational and investment strategies by overproducing, reducing prices to stimulate sales, or augmenting inventory to reduce their cost of goods sold, each of which influences earnings¹⁹. When companies engage in excess production, fixed overhead costs are distributed among a greater quantity of products. This results in a reduction in their per-product cost of goods sold. Additionally, if fixed assets are sold for a

profit, companies might opt for this approach to influence their earnings. Researchers recognize that restructuring both operational and investment endeavours is another technique. For instance, companies may pursue mergers or enter into capital or operational leases primarily to boost reported income^{22, 23}.

2.1.3 Techniques and Methods for Managing Earnings

Earnings management manifests in various forms due to the multitude of estimates involved in the creation of periodic financial statements.

Disguised Provisions and Cosmetic Enhancements: "Window dressing and hidden reserves" refer to the strategic manipulation of a company's financial statements to exert the greatest impact on its financial position at a particular moment in time. This modification can be applied to any entry on the balance sheet or income statement. For instance, a company may opt to conduct a sale to a similar firm in order to artificially boost its reported sales figures. Yet, it's crucial to emphasize that this tactic frequently reduces the actual impact on profit once it takes effect. For example, the allowance for doubtful accounts²⁴.

Financing Off Balance Sheet: Off-balance sheet financing happens when a company's total debt increases, but this augmented borrowing is not disclosed in the company's financial reports²⁵. This suggests that the company may appear to have a stronger capacity to obtain additional funds or loans than it truly does. In certain situations, the subsidiary with low debt levels may be utilized to secure loans on behalf of the parent company, and these intra-company obligations are resolved during the consolidation process²⁵.

Long-Term Operating Assets are written off: Intangible assets such as goodwill, patents, copyrights, and trademarks are spread out over their expected useful life for amortization. On the other hand, tangible assets like buildings and machinery undergo depreciation over the periods over which they expect to derive benefits.

Natural resources like lumber, coal, oil, and natural gas are gradually depleted over their expected useful life. The management has the authority to determine the method, timing, and salvage value for write-offs. When a long-term operational asset transitions to a non-operating asset, there's no requirement to document depreciation or amortization costs.

The Investment Portfolio Has Been Flushed The acquisition of another company's shares is undertaken by a company to forge a strategic partnership and make use of excess cash. If a company invests in another and possesses less than 20% of the total ownership, it is considered a passive investment. This investment can be categorized as either a trading security, which impacts operating income, or as an available-for-sale security, which doesn't affect operating income until the security is sold. Firms manipulate their earnings by strategically timing sales, disposing of securities that have gained or lost value, and possibly reclassifying their security holdings from trading securities to available-for-sale securities. This allows them to move a profit or loss on or off the income statement.

Income averaging: Income smoothing, aimed at presenting a consistent income pattern over time, entails reducing a company's reported profits in profitable periods and postponing them to less profitable periods²⁶. Investors value this as it indicates a stable, thriving, and growing business. This is facilitated by the adaptability of the matching principle. Moreover, in a profit-sharing agreement between managers and owners, management gains a greater advantage. Income smoothing can be categorized into two types: "genuine" and "artificial" smoothing²⁷. "Genuine smoothing involves delaying specific events, such as advertising, to the subsequent period, while artificial smoothing encompasses tactics like modifying the depreciation method to shift funds between periods."

The Cookie Jar Reserve Method: The cookie-jar method is a technique employed for future forecasting. Under GAAP guidelines, management is obliged to estimate and formally document obligations that will require payment in the future due to the evaluation process

pertains to occurrences or transactions taking place within the present fiscal year. However, it's important to acknowledge that this assessment is susceptible to uncertainty, given the inherently unpredictable nature of the future²⁸.

Methods of Pooling versus Purchases: In the pooling accounting method, which involves the merger of two businesses, no additional goodwill is generated. This results in enhanced future profits as there's no need to amortize goodwill. Furthermore, proprietors obtain disbursements from reserves and earnings both before and after the acquisition. These characteristics render the pooling of interest a valuable technique for profit management in different forms of takeovers. Conversely, the purchase approach is a subject of debate due to the possible emergence of goodwill and its subsequent effect on earnings through amortization in the subsequent years. Additionally, only the company's earnings post-acquisition is disbursed to shareholders²⁹.

Big Bath Methods: During a company's restructuring process, management may employ the "big bath" strategy to control profitability. While this is an infrequent practice, businesses may choose to consolidate debt, impair assets, reconfigure operational segments, or even close them down. In such scenarios, costs are typically inevitable. If management accounts for an anticipated charge (indicating a loss) against earnings for the cost of implementing the change, it may have a detrimental effect on the share price. However, if the charge for restructuring and associated operational adjustments is viewed positively, the share price could potentially see a swift increase².

Future-focused big bet technique: When a business acquires another, it's seen as a significant investment in the future. In accordance with Generally Accepted Accounting Principles (GAAP), an acquisition must be documented as a purchase. This presents two alternatives for earnings management. One option is to safeguard future earnings from these

costs, a company may initially deduct long-term costs from current earnings in the year of acquisition³⁰.

Address the needs of a challenging child: To increase future profits, the business may decide to sell off the "problem child," or underperforming subsidiary. The subsidiary may be sold, exchanged for stock in an equity method subsidiary, or spun off as part of this divestiture, among other options. Any gain or loss from the sale of a subsidiary is included in the financial statement for the immediately preceding period. The ownership of the "problem child" is passed to current shareholders in the event that shares of the subsidiary are distributed or exchanged with them³⁰.

Sale/leaseback: A company can enhance its earnings on the financial statement by divesting a long-term asset that holds unrealized gains or losses. By registering a gain or loss, the company can manipulate its earnings. Gains from sale/leaseback agreements are spread out over the term in accordance with IAS 17 if they relate to capital leases or if some of the payment is an operating lease³⁰. The seller swiftly acknowledges losses in these transactions in its financial records.

Early Debt Repayment: By choosing an appropriate fiscal year for an early debt settlement, management might affect earnings. A company's income statement will reflect a gain or loss if it makes an early cash payment that differs from the bond's book value³⁰.

Banks utilize various tactics for managing their earnings, and one such method is the implementation of a cookie jar reserve to showcase potential future surges in earnings. Big Bath method³¹. Capital is deployed on the premise that if a manager needs to report, for instance, a loss resulting from substantial restructuring, it is more advantageous to disclose all adverse information at once and address it proactively. The "cast out the problem child" strategy is employed to manage the earnings associated with an underperforming subsidiary of this nature. Companies making adjustments to GAAP must be cautious that such

alterations are not perceived by the stock market as diminishing the quality of earnings. If long-term productive assets are sold, exchanged for alternative assets promptly, or leased back, any unrealized gains or losses may be documented. Through decisions regarding write-off methods, timing, and salvage value, management wields control over earnings within the framework of the amortization, depreciation, and depletion technique. Since the transaction doesn't generate any income, Firms are not required to disclose any profit or loss from the buyback of their own shares in the income statement. (Shrink the ship). Other techniques mentioned by ^{32, 33, 34, 35}. This encompasses actions like restructuring the financial portfolio, implementing major overhauls, making substantial investments in the future, and numerous other strategies.

European corporations are required to comply with the International Financial Reporting Standards (IFRS), while those in the United States must adhere to the Generally Accepted Accounting Principles (GAAP) when creating their financial statements. These guidelines serve as the foundation for organizing and displaying financial data, aligning with the accounting framework established by the International Accounting Standards Board (IASB) ³⁶. The main goal of accounting standards is to enable companies to furnish investors and creditors with timely, accurate, and relevant "information."

2.1.4 Practices of Earnings Management

Although there have been attempts to establish global accounting standards and regulations, this information only partially fulfils its responsibilities. The numerous financial scandals that have taken place on the global stage are evidence of this³⁷. The most compelling proof comes from incidents like the Enron Corporation scandal. This incident is just one example of several financial scandals. Arthur Andersen, once renowned for its reliability and trustworthiness, experienced a downfall due to its involvement in financial scandals³⁸. They utilized Special Purpose Entities to boost capital and enhance their ratings in order to address

their debt. The firm faced allegations of issuing unqualified findings instead of qualified reports, and this was attributed to the downfall of many of their clients. Tyco International, a company engaged in similar practices, mismanaged its assets, resulting in losses for investors and a substantial decline in stock prices. Although the stock prices plummeted, the company managed to avoid the brink of bankruptcy. Accountants and auditors are still in the process of defining the limits of what is deemed acceptable within the accounting profession³⁹. Furthermore, the continent has experienced its own version of the Enron crisis with the Cadbury PLC scandal, where the company's top management was involved in accounting fraud to hide inadequacies and dubious business dealings. In Kenya, several businesses suspected of engaging in such activities have either been shut down or have faced complete collapse. Prominent examples include Uchumi Supermarket, Mumias Sugar Company, as well as various financial institutions like Dubai Bank, Imperial Bank, and most recently, Chase Bank, which was placed under receivership. In response to the growing prevalence of earnings management tactics, companies have begun issuing profit warnings. These warnings have allegedly been linked to factors such as a weakened local currency, instances of accounting fraud, and heightened competition, as reported by the NSE. (Source: The East African), Expanding into burgeoning Asian markets has become a strategic move for companies aiming to meet the projections of financial analysts, Satyam Computers Services Limited, an Indian company, engaged in deceptive practices by downplaying its liabilities, inflating its assets, fabricating loans and cash balances, and overestimating its income⁴⁰. This misconduct is not limited to businesses and can also be observed in government operations. In 1999, the Turkish government initiated a stabilization program in collaboration with the IMF aimed at enhancing the state's economic condition of its public debt. Despite the program's effectiveness, the government was unable to satisfy its immediate financial obligations due to a severe market liquidity crisis, necessitating IMF bailouts.

2.1.5 Concept of Audit Quality

To protect the interests of investors, significant changes in accounting, financial reporting, and auditing were made. By mandating that the management of a company⁴¹. The aim is to hold the management of a company responsible, achieving this objective. Auditing, in particular, seeks to reduce any remaining losses due to managerial opportunism in financial reporting and to mitigate information imbalances concerning accounting figures. Both tangible and perceived attributes, commonly known as apparent qualities, are essential for auditing to effectively serve as a monitoring mechanism. An audit's perceived quality is just as important as its real effectiveness.

One component of audit quality states that if the customers don't fix an error or irregularity, external auditors may find it during audit engagements and include it in their report⁴². Auditor expertise, which pertains to the auditors' ability to detect significant errors, and auditor independence, which involves the auditors' willingness to report such errors through qualified, disclaimer, or unfavourable opinions if they are not addressed, together form the composite concept of auditor quality. The rigorous requirements and procedures in place prior to becoming certified practicing auditors underline the significant role that auditors play as the primary factor in determining audit quality.

This assertion suggests that the quality of an audit, as perceived by the market, hinges on the probability of an auditor detecting a flaw in the client's accounting system and subsequently reporting this discovery. It implies that the auditor possesses both the technical expertise to identify significant issues during the audit and the impartiality to ensure that such errors and omissions are rectified or disclosed in the auditor's report⁴³. In a similar manner, both tangible and perceived quality when evaluating audit excellence⁴⁴. The principle of agency theory fundamentally acknowledges auditing as a pivotal tool in alleviating conflicts of interest and reducing costs associated with agency problems⁴⁵. According to this study, the

term "audit quality" pertains to the ability and objectivity of auditors in identifying and disclosing substantial inaccuracies⁴⁶. This concept emphasizes the auditors' capability to identify material errors and their independence in reporting them; Auditors of high quality have a higher likelihood than their lower-quality counterparts to detect problematic accounting practices in client organizations⁴⁷. They are also more prone to report significant anomalies and misstatements. This heightened level of audit quality serves as a more effective deterrent against earnings management, ultimately enhancing the precision of financial reports⁴⁸.

A high-quality audit is characterized by its ability to improve the accuracy of financial statement data, enabling investors to make a more precise evaluation of a company's worth⁴⁹. A higher quality audit increases the probability that the financial statements accurately depict the financial position and operational performance of the audited organization⁵⁰.

A superior audit is carried out in accordance with generally accepted auditing principles to give a reasonable level of confidence that the examined financial statements and their accompanying disclosures (1) comply with generally accepted accounting principles (GAAP) and (2) are free from material misstatements, whether due to errors or fraudulent acts. Similarly, audit quality is characterized as the level of assurance or probability that a financial statement does not contain significant omissions or errors by⁵¹ and⁵².

The available data indicates that a high-standard audit plays a crucial role in curbing earnings management practices among non-financial companies listed on Borsa Istanbul. This underscores the effectiveness of a high-quality audit in uncovering significant errors and inaccuracies within the financial statements of Nigerian-listed banks. Moreover, in Portugal, businesses engaging a Big 4 audit firm Show significantly reduced levels of earnings manipulation in contrast to those employing a non-Big 4 auditing company^{53, 54, 55}.

Conversely, robust environment⁵⁵. The code mandates the presence of an audit committee that is expected to operate with effectiveness and efficiency. Therefore, the membership of the audit committee is a binary variable, denoted as 1 when the committee comprises a minimum of three non-executive directors, and 0 otherwise.

The internal audit function plays a crucial role in corporate governance. It informs the Audit Committee about any cases of fraud or irregularities, shares best practices for internal controls and risk management, conducts yearly audits, presents the findings to the Audit Committee, and collaborates with the Audit Committee to routinely evaluate its procedures⁵⁶. According to this description, one of the regulatory tools used to guarantee the suitability and consistency of the accounting principles used in the preparation of organizations' financial statements is the audit committee⁵⁷. The researcher further asserts that the presence of an audit committee within a company serves to enhance the transparency of information disclosure and diminishes the manager's direct involvement in the management outcome process.

The establishment of the audit committee by the board of commissioners is aimed at assisting them in fulfilling their duties and functions effectively⁵⁸. As per the researcher's perspective, the introduction of the audit committee in the corporate governance framework aims to enhance the company's transparency and accountability to its stakeholders by providing more precise and pertinent financial information. The oversight body tasked with supervising the audit and control functions of the organization is referred to as the audit committee⁵⁹. As per the researcher's findings, the board of directors has established a committee dedicated to supervising financial reporting, managing business and financial risk procedures, and ensuring compliance with crucial legal, ethical, and regulatory standards within the entity.

2.1.6 Audit Fee

The payment for audit services is represented in logarithmically transformed Naira values. In accordance with, Audit remuneration, often referred to as audit fee, signifies the payment received by auditors for the services they provide to a company or client⁵⁷. The researcher proposes that the adequacy of compensation received by auditors may impact the quality of service they deliver in fulfilling their responsibilities for the organization.

An argument that states that the amount of money an audit firm receives represents its fee for doing the audit ⁶⁰. The anticipated fluctuation in the audit fee, which is based on factors such as company size, the complexity of audit issues related to the items on the company's financial statements, and changes in the regulatory and accounting framework since the previous audit, is taken into consideration. The audit fee is contingent on factors like the level of assignment risk, the complexity of services rendered, professional expertise, and other relevant considerations⁶¹. The data indicates a positive correlation between higher audit fees and the quality of the audit. Additionally, the researcher notes that the magnitude of the audit fee can influence the perceived independence of public accountants. A substantial fee may lead accounting firms to be hesitant in challenging client preferences, whereas a lower fee may constrain the resources available for comprehensive audit procedures. Members are expected to demonstrate professionalism, adhere to specified quality standards, and fulfill client requirements.

2.1.7 Audit firm size

This variable is set as "1" if the company is audited by a Big 4 firm and "0" otherwise. The study found that companies examined by auditors outside the Big 5, which may suggest a potentially lower level of "audit quality," reported discretionary accruals that significantly increased their income in comparison to those examined by Big 5 firms ⁶². Additionally, their research indicates that managers intentionally disclose discretionary accruals in response to incentives aimed at reducing debt and stabilizing earnings. Moreover, companies that engage

non-Big 5 auditors reveal notably higher levels of income-inflating (or reducing) discretionary accruals compared to those without incentives to smooth outcomes. The study suggested that companies with elevated accruals are at a greater risk of opportunistic management and are more inclined to enlist a Big 5 auditor to validate the accuracy of their financial statements⁶³. Businesses that exhibit high accrual rates often opt for the services of Big 5 auditors. Nevertheless, these companies typically disclose smaller discretionary accruals, suggesting that Big 5 auditors might contribute to reducing opportunistic accrual reporting.

2.1.8 Independent Auditing

The calculation of the audit fee log is the opposite measurement of audit independence. Higher (smaller) audit fees lead to poorer (better) auditor independence⁶⁴. Auditor independence is characterized by a state of objectivity and absence of bias. The credibility of a company's financial statements relies on the perception of the external auditor as a reputable and unbiased professional by the general public. Hence, the level of auditor independence is influenced by both the protocols and measures implemented by the auditing firm, as well as the outlook and conduct of the individuals involved in the particular audit task⁶⁵.

Audit independence pertains to the auditor's ability to carry out their duties with integrity and an unbiased approach. It signifies a state of objectivity and impartiality in the execution of auditing responsibilities⁶⁶. Audit independence entails that the auditor conducts their responsibilities without any constraints or bias. It is the state of being free and impartial when making judgments during the audit and financial reporting process⁶⁷. Audit independence entails that the auditor conducts their responsibilities without any constraints or bias. It is the state of being free and impartial when making judgments during the audit and financial reporting process. Audit independence entails that the auditor conducts their responsibilities without any constraints or bias. It is the state of being free and impartial when making

judgments during the audit and financial reporting process. Medium-sized businesses may adopt this strategy to disrupt the dominance of the Big 4 in conducting audits for large corporations. According to research, voluntary joint audits are favorably correlated with audit quality, particularly in settings where both public and private businesses experience fewer legal disputes. According to this, Nigeria's listed deposit money banks may profit from emphasizing the usage of joint audit services ^{68, 53}.

2.1.9 Company Size

The variable "size" is defined by taking the logarithm of sales, it has been argued that larger size leads to economies of scale and synergies, thereby exerting a direct positive influence on performance. Furthermore, vertical integration and increased market power serve to reduce costs related to production, distribution, and other aspects ⁶⁹. Nevertheless, as a company expands, the incremental advantages gained from scale tend to diminish, potentially resulting in a slower rate of growth. This scenario suggests that scale can have a favorable impact on profitability and risk, while simultaneously exerting adverse effects on value and expansion.

2.1.10 Solid Age

The corporate age is determined by subtracting the number of years a company has been listed from the total number of observational years. It reflects the duration since the company's inception. In theory, investors tend to have more confidence in well-established companies compared to newly-founded ones. This is because there's a perception that an established company enjoys higher profit margins than a start-up. As businesses mature, they identify their core strengths. However, as a company reaches a certain age (around 232 years), there's a decline in performance. While start-ups are often viewed as the most innovative, over time, they may experience a decline in profitability, making it harder to compete with midsize businesses

.2.1.11 Principles of Firm Performance

While a unanimous definition is lacking, the concept of financial performance is extensively utilized in academic discourse. Management places significant importance on the accomplishment of organizational goals through lawful and ethically aligned means, considering the roles and responsibilities of individuals or groups within the organization. Firm performance is regarded as a crucial indicator of an organization's overall well-being⁷⁰. Scholars specializing in finance and management have shown keen interest in this subject to voice their individual viewpoints. Various criteria can be employed to assess an organization's performance from a subjective standpoint, resulting in diverse interpretations of what constitutes successful performance. Each of these perspectives on organizational performance can be considered noteworthy⁷¹. Performance management encompasses various aspects, including addressing internal issues, considering stakeholder interests, and responding to external challenges.

During the 1950s, the main emphasis in performance assessment was on tasks, individuals, and the organizational framework. Back then, performance was seen as the extent to which organizations, regarded as social systems, met their objectives. In the 1960s and 1970s, organizations began seeking new methods to appraise their performance. Performance was now seen as the organization's ability to effectively utilize its limited resources in response to its environment.

Furthermore, during the 1980s and 1990s, organizational managers came to realize that defining organizational objectives was more complex than originally thought in the 1950s. During this period, managers started acknowledging that a company's prosperity hinges on its capacity to attain goals (effectiveness) while making the most of resource utilization (efficiency). Profit, being a fundamental business objective, naturally emerges within this framework and functions as just one of numerous benchmarks for evaluating company performance. However, in the business realm, profit can only be quantified in monetary terms.

Most high-profit companies tend to rely on retained earnings to finance their operations, resulting in low levels of debt. Opting for higher levels of debt exposes companies to a greater risk of financial distress⁷². The size of a company, as indicated by its total assets, is believed to positively influence its financial performance. Performance management, broadly speaking, involves the application of both quantitative and qualitative methods by managers, considering various aspects of human activities, well-structured policy provides managers with a framework that includes planning, performance monitoring, and goal-setting^{73, 74}. Performance evaluations primarily centred around the efficiency and effectiveness of a company's operations. The market position of a company significantly influences its financial performance. The long-term profitability of a corporation is shaped by both its net turnover and net profit margin⁷⁵. A high firm turnover signifies enhanced efficiency and optimal use of the company's assets, while a high profit margin indicates a significant market share. Given that larger businesses can leverage this advantage for financial gains in business transactions, the size of the organization positively influences its financial performance.

An organization is a deliberate assembly of valuable resources, encompassing human, physical, and capital assets, united with the aim of achieving a common purpose⁷⁶. The concept of financial performance primarily hinges on the value generated. When it comes to the discretionary use of resources, contributors will only do so if they feel adequately valued in return. Therefore, the generation of substantial value is the epitome of performance. The organization will continue to reap the benefits and to exist as long as the value produced by using the donated resources is equal to or better than the value anticipated by the contributors⁷⁷.

At its core, an organization is the purposeful integration of valuable resources, encompassing human, physical, and capital assets, all united with the ultimate aim of fulfilling a shared purpose. This forms the foundational concept of financial performance. The utilization of

benefits within the organization hinges on the satisfaction derived from the reciprocal respect received in return. Consequently, the generation of substantial value epitomizes performance. As long as the value created through the utilization of contributed resources is equal to or exceeds the expected value by the contributors, the organization will persist in reaping the benefits, ensuring its continued existence⁷⁷.

Performance gains significance in connection with the specific phenomenon under scrutiny⁷⁸. In the realm of financial performance, it pertains to the alterations in a company's fiscal state or the financial outcomes stemming from managerial choices and their execution by company personnel. The indicators employed to represent performance are tailored to the context of the organization(s) under observation, as this allows for a reasoned evaluation of these outcomes. Firm performance is a crucial aspect for management, signifying the outcome achieved by individuals or groups within an organization, aligned with their authority and responsibilities in a legal, ethical manner. It reflects the organization's ability to strategically acquire and manage resources for a competitive edge. The assessment includes both operational and financial aspects; the main goal of monitoring financial performance is to examine the efficiency and effectiveness of economic unity management and financial records and reporting.

2.1.12 Measurement of Financial Performance

Evaluation of an organization's strategy, policies, and operations in terms of money is known as financial performance⁷⁹. The results are reflected in the company's return on assets and return on investments. Firms must develop strategic orientations, set goals, put decisions into action, and monitor their progress toward those goals in order to attain these results. As a for-profit business expands and reaches a scale where one management team can't adequately monitor operational performance, the company must implement accounting practices, Profitability metrics and control systems step in as vigilant overseers, serving as the watchful

eyes and ears in place of a manager facing challenges. In the business realm, an entity's financial well-being is evaluated through its performance. Various benchmarks, such as increasing shareholder value, profitability, and aspects of financial reports like revenue, total equity, and assets, are employed to appraise financial performance. Profitability stands as the cornerstone of a company's endeavor. The ultimate aim of any business is to optimize earnings. All strategies devised and actions undertaken are geared towards attaining this fundamental objective.

Profitability is commonly evaluated through metrics like profit margins and return on equity, which allow for comparisons within the industry. Investors often favor companies with a history of profitability, making it crucial for sustainable financial performance. Failing to achieve satisfactory financial results can cause concern among shareholders and creditors, impede fundraising for essential projects, and even jeopardize the company's long-term viability.

Financial performance is assessed using a range of metrics, encompassing shareholder wealth maximization, key elements from financial statements like revenue, total assets, and equity, along with profitability. It is widely asserted that the fundamental drive for establishing a business is to generate profit, and instances of businesses solely for recreational purposes are rare. The Oxford Dictionary defines 'profitable' as something that yields or has the potential to yield revenue. A company with substantial profitability can yield its owners a substantial return on their investment⁸⁰.

The primary aim of any business is to maximize its profits. All strategies and actions are devised with this overarching objective in mind⁸¹. Analysing profitability often involves looking at metrics like return on equity, return on assets, and profit margin, which provide insights into a company's financial health. Investors tend to favour businesses with a proven track record of profitability. Thus, maintaining sound financial performance is crucial to instil

confidence in both creditors and shareholders regarding the company's financial standing, it may impede its capacity to secure funding for critical initiatives and potentially even jeopardize its survival⁸⁰.

Enhancing shareholder wealth is a fundamental aspect of any company's mission. It stands as one of the primary objectives for its existence. When shareholder wealth is maximized, two critical factors come into play: market value addition and economic value addition. These represent the benefits a company gains from its operations, falling under the category of economic value added. Market value addition, on the other hand, relates to the growth in market share. Market share holds significant importance as it provides a measure of an organization's influence within its industry, indicating whether it's a major player or a secondary participant. Evaluating market share helps in understanding if a company is gaining or losing ground in its intended market. The performance of a company is assessed through market ratios, which factor in metrics like dividends, earnings per share, and price-to-earnings ratio⁸⁰. Companies generally vie with each other to secure a substantial market share, as doing so enhances their profitability. This competition for market share is a customary practice among companies.

Return on Assets (ROA) stands as the most frequently employed metric for evaluating a company's performance in the business sphere. This metric scrutinizes the returns generated from the assets that the company has underwritten, providing a gauge of the organization's operational efficiency and effectiveness. In a different vein, return on Equity (ROE) is another metric utilized to gauge a company's performance. It offers insights into how proficiently the company's management transforms the investments of its shareholders into net profit, indicating the rate of return received by the company's shareholders. Additionally, return on Invested Capital (ROIC), serving as another metric to assess a company's performance, is employed to evaluate a company's proficiency in selecting fruitful

investments to pursue with the funds at its disposal. The higher these metrics are, the more effective the company's management is considered to be, and conversely, lower metrics may suggest less effective management.

Financial performance pertains to the objective measurement of how effectively an organization employs its core business assets to generate income. Indicators such as revenues from operations, operating income, cash flow from operations, or total unit sales are commonly used to assess financial performance. For a more in-depth analysis, an analyst or investor might delve into financial records to examine factors like decreasing debt or growth rates in margins. Ultimately, the increase in the entity's share price serves as an illustration of its financial performance, reflecting its earnings, profits, and value enhancements⁸².

Return on assets (ROA) will be utilized as a stand-in for financial success in order to test this idea. ROA sheds light on how well a business utilises its resources to produce a sizable return on investment.

Return on Capital Employed (ROCE) is a metric for gauging the effectiveness of investments and corporate productivity. It is derived from profitability, which quantifies the earnings generated by a company before accounting for interest, taxes, and other costs (EBITIn) addition to activity, it considers the volume of operational assets a company has acquired to attain that level of profitability⁸³. In the 1920s, Du Pont Corporation developed what is now known as the Du Pont accounting method. This method incorporates Return on Capital Employed (ROCE) as a key metric to evaluate the performance of its various business divisions. The Du Pont accounting method offers a practical and uncomplicated way to evaluate how management choices affect financial performance.

This strategy offers a trustworthy evaluation tool for businesses to employ when evaluating their performance, which is one of its key benefits. At the company level, ROCE serves several important purposes: it allows for size comparisons over time between business units

of different scales; it helps identify areas for potential increased or reduced investment; it assesses the benefits of additional borrowing for investment; it gauges if shareholders' expectations are being met; it indicates a company's potential for sustainable growth; and it is utilized to monitor if a project is on track as planned.

By using ROCE, one may examine operational efficiency, gauge the efficacy of balance sheet management, and assess the suitability of the return on total capital, all of which contribute to a thorough assessment of a company's performance. We will consider both Return on Capital Employed (ROCE) and Return on Equity (ROE) as they can provide valuable insights to management for improvement. While these metrics may seem straightforward and practical, they have often been applied in a misleading manner. Over time, these metrics have undergone changes, with some arguing they have been misused, leading to confusion rather than providing clear evaluations of corporate performance⁸⁴. The concept of returns, specifically the return on equity and capital employed, is a logically sound and practical approach. It involves understanding both profitability (EBIT) and effective balance sheet management, which are crucial factors. By making improvements in these areas, the Return on Capital Employed can be enhanced, ultimately determining whether the business is profitable relative to its cost of capital. In simple terms, the Return on Capital is determined by the profit before interest and taxes, regardless of whether it was funded by shareholder equity or loans. It is the earnings as a percentage of the capital invested in the business (i.e., fixed assets and net current assets), or turnover less costs ⁸⁴. Irrespective of the company's financing method, it serves as an indicator of the company's profitability.

In plain English, return on equity is defined as the profit before taxes and interest expressed as a percentage of owner's equity (capital employed less borrowings), which is calculated as

revenue minus expenses and less interest paid. The consideration of the leverage obtained from borrowing is the only difference between this metric and Return on Capital Employed.

2.1.13 Return on Assets (ROA)

An indicator of a company's profitability in relation to its total assets is called return on assets (ROA). A manager, investor, or analyst can evaluate a company's ROA by looking at how well management uses its assets to produce profits^{85, 86}. In this calculation, certain investors opt to incorporate interest expenses back into net income to emphasize operating returns rather than the cost of borrowing.

ROA indicates the returns generated from investments in assets. In publicly traded companies, ROA can exhibit substantial variations, with sector factors playing a significant role. Hence, a firm's past ROA data or the historical ROA data of a comparable company should be used as a benchmark for comparing ROA as a comparative indicator.

It is remarkable that a company's total assets include both its shareholders' equity as well as the total of all of its liabilities. These two funding options are used to pay for the business's operations. Some analysts and investors choose to include interest expense in the ROA formula in order to account for the cost of acquiring the asset. This is because the assets of a firm are supported by either debt or equity. To explain, the effect of taking on additional debt is reduced by deducting the cost of borrowing from net income and using the average assets over a particular time period as the denominator. It is included since interest expense is not included in the net income amount shown on the income statement. When discounting the cost of debt, an analyst will employ the following formula:

ROA is determined by dividing the sum of Net Income and Interest Expense by the average total assets.

Investors can assess the effectiveness of a company by looking at the return on assets (ROA) statistic. A greater ROA shows that the company is making more money with less capital

outlay. Let's now examine the ROA for three organizations in the retail sector ⁸⁷. ROA is particularly valuable for industry-specific comparisons since different industries utilize assets differently. For example, service-oriented sectors like banking typically exhibit higher ROAs compared to capital-intensive industries such as utilities or construction. As stated, ROA specifically measures how effectively a company employs its assets to generate profit. The applicability of this ratio may vary across industries, influenced partly by the industry's level of investment in fixed assets. Another financial metric, return on equity (ROE), assesses the earnings derived from shareholders' equity. This equity encompasses the cumulative investments made by shareholders through stock issuances and the retained earnings of the company, as reflected in the accounting value of shareholders' equity, which denotes the amount not yet distributed as dividends. This accounting value also represents the net assets of the company, or its assets minus liabilities. Furthermore, deconstructing ROE can unveil the fundamental drivers of value creation within a business.

2.1.14 Earnings Per Shares

It is calculated using the weighted average number of common shares outstanding during the same time, and earnings per share (EPS) is a statistic that shows a firm's profit or loss for a certain reporting period attributable to common stockholders of the parent company. If a company has issued both preference shares and ordinary shares, the numerator must be adjusted to calculate the ratio for ordinary shares. This means factoring in the profit or loss attributable to preference shares.

According to IAS 33, paragraph 14, and similar standards, the net income for the period should be modified to account for dividends on preference shares. Calculating EPS using consistent rules ensures reliability and enables comparisons across different reporting periods and companies. However, modern joint-stock companies have the flexibility to issue various types of shares with differing preferences. Additionally, the dynamic evolution of financial

markets has introduced various instruments (such as options and convertible bonds) that can be converted into shares under specific conditions. This may lead to an increase in the number of shares, potentially impacting EPS. Establishing specific guidelines for calculating earnings per share was deemed crucial⁸⁸.

2.1.15 Banks performance measures

Performance assesses the level of task completion in a work setting. Researchers often utilize the term "performance" to encompass a range of metrics related to transactional efficiency, input-output efficiency, and more⁸⁹. Furthermore, it has been suggested that profitability ratios serve as indicators of a company's overall effectiveness and performance⁹⁰. It assesses the efficiency with which a company utilizes its resources and controls its expenses to generate a satisfactory level of return. According to it assesses the efficiency with which a company utilizes its resources and controls its expenses to generate a satisfactory level of return. According to this author, Performance refers to the degree of achievement in a job task⁹¹. Researchers commonly used the term to encompass various measurements of transactional efficiency and input-output effectiveness. Moreover, it has been noted that profitability ratios act as an indicator of a company's overall effectiveness and performance⁹². Profitability ratios play a pivotal role in evaluating a company's effectiveness in utilizing its resources and controlling costs to generate a satisfactory return on investment. These ratios serve as valuable tools for potential investors seeking to make informed decisions about investing in the company⁹³. Nevertheless, finance and accounting literature suggests that metrics such as return on assets and the sales-to-assets ratio are also employed to measure a firm's success⁹⁴.

2.1.16 Financial performance via the opportunistic approach

The opportunistic approach provides an analytical framework that argues that engaging in earnings management negatively impacts financial performance. Over the recent years, there has been an accelerated pace of research in this area.

2.1.17 Financial performance via the information approach

Earnings management's impact on financial performance may not be detrimental when viewed from an informational perspective. According to signalling theory, this impact can actually be positive. It suggests that managers' discretionary actions, when disclosing their personal information, serve as a signal for the company's future trajectory. In this context, managers engage in results management not for opportunistic reasons, but to convey informative insights⁹⁵.

2.1.18 Revenue Management (Real Earnings) and Financial Performance

Earnings management involves manipulating financial records through exploiting loopholes in accounting regulations. Revenue plays a substantial role in determining a company's financial performance. Companies with high revenue tend to outperform those with lower revenue due to their typically higher profit margins. The disclosed revenue serves as an initial indicator of a company's performance and directly influences the reported earnings and overall earning capacity of the company⁹⁶. Many companies with a track record of losses and an expectation of continued losses resort to revenue management techniques⁹⁷. Nonetheless, this doesn't suggest that revenue management is exclusive to struggling businesses. Companies that rely on revenue as a measure of market capitalization also employ this practice⁹⁸. Identifying fabricated revenue and manipulating the timing of real transactions are two instances of revenue management⁹⁹.

Accountants and finance managers have the ability to strategically time transactions in order to influence the outcomes reflected in the financial statements. This can be employed as a tactic to enhance revenues and shape the financial accounts in a way that meets the desired expectations, especially when the operating profit falls below projected levels¹⁰⁰. This practice entails recording revenue in a timeframe that doesn't align with the actual transaction. Rather than resorting to fraudulent sales, recognizing profits prematurely can legitimately boost the company's revenue⁹⁹. By augmenting its revenue, a company can exhibit improved performance through enhanced margins, leading to heightened profitability. In 2002, Xerox Corporation faced legal action for surpassing Wall Street forecasts, employing various accounting techniques and opportunities⁹⁹. Fictitious transactions refer to those that are not genuine or do not actually occur. They are often employed to manipulate the figures on the balance sheet and shift profits from one accounting period to another⁹⁹. In order to achieve this, you need to engage in two or more transactions that are interrelated with a willing third party, often a bank. For instance, you might arrange a deal to sell an asset to a bank and then lease it back for the duration of its useful life in such a "sale and leaseback," The sale price may be set either higher or lower than the current value of the asset, as the variation can be compensated for through higher or lower rentals. Additionally, artificial transactions can be employed to fabricate sales and clients, as well as to exploit genuine clients by exaggerating costs and quantities⁹⁹. Mercury Finance Company was one of the businesses discovered to have reported fictitious revenue. The company admitted to uncovering fraudulent accounting entries, including fabricated revenues, which resulted in an overstatement of its earnings⁹⁹.

2.1.19 Accruals (Expense) Management and Financial Performance

Controlling expenses is another aspect of managing accruals (earnings). When managers rely on earnings to determine the value of a company, they may be motivated to manipulate profits by inflating expenses rather than revenue. This tendency is especially prevalent when

managers anticipate no further losses and expect the market to assess the company based on earnings⁹⁸. The manipulation of expenses, which are typically listed on the income statement, has an impact on both the financial statements and, consequently, the financial performance of a company. Engaging in inadequate provisioning and choosing to capitalize expenses rather than depreciating them are two instances of this form of management¹⁰¹. The company might also opt for a gradual amortization or depreciation of assets, thereby influencing the costs⁹⁹.

Another approach to expense management involves cutting down on discretionary spending. This category includes expenses related to research and development (R&D), sales, general administrative costs, and advertising. Generally, these expenses are subtracted from the income in the period when they are accrued¹⁹. Managers often cut down on expenses to boost earnings when those expenses do not lead to immediate revenue and income¹⁹.

Businesses engage in cost reduction through aggressive capitalization and extended amortization, inappropriately categorizing expenses that should have been expensed. Furthermore, present- period losses or expenses are registered as assets, deferring cost acknowledgment and inflating current-period earnings. These deferred costs are thereafter gradually amortized and expensed in succeeding accounting periods¹⁰². Equipment expenses serve as an example of expenses that should be recorded right away. Equipment expenses are normally capitalized in the equipment account and then depreciated throughout the equipment's useful life. Consequently, short-term earnings will show an increase, indicating heightened earning capacity¹⁰². When a company records its expenses as assets, it leads to an augmentation in the total asset value, indicating an improved financial standing and, consequently, enhanced financial performance. Prolonging the amortization period for capitalized assets beyond the typical duration is referred to as extended amortization. This

practice, exemplified by American Software Incorporation ¹⁰², results in an escalation of a company's pre-tax income ¹⁰².

Strategically handling the income statement is a primary concern for both real and accrual earnings management. However, in order to portray a more stable financial position and increase earning potential, managers may expand their efforts to include the management of assets and liabilities—components of the balance sheet ¹⁰².

2.1.20 Earning Management and Financial Performance

Divergent interests between directors and shareholders have been identified as a source of discrepancies in financial reports ¹⁰³. This could incentivize directors to utilize the flexibility of collections accounting to subtly manipulate earnings. Consequently, the practice of earnings management through collections—examined in this study—is viewed as a savvy management tactic. Empirical research has indicated a significant negative correlation between earnings management and financial performance ¹⁰⁴. Collections are the most common form of earnings management that management uses, to either increase or decrease reported earnings as indicated in ¹⁰⁵. This illustrates the contrasting impact of earnings management through accumulations on a company's financial performance. Nonetheless, the correlation between earnings management and firm performance is contingent on the quality of an organization's management ¹⁰⁶. Accumulations-based earnings management was suggested to potentially hinder shareholders' accurate assessment of a company's genuine financial performance ¹⁰⁷. This could potentially influence the organization's resilience to shocks in the long run. In this scenario, accumulations-based earnings management is believed to adversely affect the financial performance of the organization. Additionally, the influence of management's inventive earnings management techniques is excluded from the

calculation of the genuine financial performance, providing a more accurate representation of the organization's true valuation.

The most robust link found in this study¹⁰⁸. Both studies investigated the correlation between earnings management and information asymmetry. The results indicated a notable association between irregular collection measures and the quoted closing bid-ask spread¹⁰⁹. The study analysed information asymmetry levels and earnings management practices in a sample of seasoned equity offerings from 1986 to 1993. The findings revealed increased earnings management associated with higher income growth and more noticeable information asymmetry during this timeframe. The study utilized the Jones model adjusted for discretionary accruals and employed the variable to determine the value of the average spread rate, evaluating liquidity value¹¹⁰. According to their observational research, firms engaging in more pronounced earnings management tend to have lower liquidity values.

2.2 Theoretical Framework

Theories explain how the variables are related to one another. This inquiry, which is based on the reviewed literature, will be supported by the agency and signaling theory¹⁰⁸.

2.2.1 Agency Theory

This idea has been developed over time to describe the interaction between the owners of the organization, known as the principals, and the managers, known as the agents. Agents are involved in the day-to-day operation of the firm while the principals are in charge of safeguarding the interests of the agents and directing their actions in accordance with the agreement they have with them¹⁰². They work harder than shareholders who merely attend meetings to learn how the business is doing as a consequence. Because of the operational nature of the agents, they frequently have a deeper understanding of the firm than the principals, who rely on the information they offer. Since managers speak for the owners and

their performance is determined by the success of the business, they will only share facts that will benefit their evaluation. These facts will be used by the shareholders in their assessment of the managers. Managers might only reveal information that cannot be used against them as a result, which could result in information asymmetry ¹⁰². Despite the fact that both managers and shareholders aim to maximize their utility, it's likely that managers won't always behave in the shareholders' best interests, giving rise to the agency problem ¹¹¹. Given that information asymmetry and earnings management have been found to be positively correlated, this problem can be resolved by providing the agents with the proper incentives and covering the costs aimed at curtailing their erratic behaviour ¹⁰².

As can be seen from the literature analysis above, the majority of the studies were carried out abroad, and because of sartorial variations, the conclusions from these studies cannot be applicable in the Nigerian setting. The ones conducted in Nigeria are likewise out of date due to the financial sector's significant changes, including mergers and legislative reforms.

2.2.2 Signalling Theory

Thanks to the efforts of Arrow and Spencer, this theory was developed in the 1970s. This hypothesis is based on the signals that businesses convey to their clients ¹¹². It typically suggests that in order to generate more money, the most successful companies provide their clients with more and better financial information. Through their financial reports, businesses can inform diverse stakeholders on their financial performance, wellbeing, and prospects. The information in the financial reports is used by stakeholders to make judgments regarding the returns on their investments. Managers may use this situation to misrepresent facts in the reports in order to persuade investors to act in a particular way because financial reporting has such a significant impact on shareholders' investment decisions.

Managers could feel pressured to manage earnings because of the signaling impact financial reports have on a firm's financial success. Simply said, if a company reports lesser

profitability and performance, it sends out a bad signal to potential investors, and if they report more profitability and performance, they send out good signals that draw investors.

2.3 Review of Previous Works

The researcher looked at earlier studies on the association between independent variables and dependent variables in this phase of the study.

Higher earnings in the banking sector are influenced by the company's employees. It is essential to have the proper people in the industry, especially in management roles, as they use the resources at their disposal to assure the institution's survival and expansion while also maximizing shareholder returns. By doing this, they give the business a competitive edge over other financial institutions and draw investors to the sector. Numerous sectors have been the subject of empirical studies on managerial earnings, audit quality, and financial performance. These studies are well-documented in the literature.

2.3.1 Empirical Reviews from Developed Countries

This study was designed to look at the impact of audit quality on deposit money banks quoted on the Nigeria Exchange Group's earnings management. This study specifically looked at audit tenure, audit tenure firm, audit fee, and joint audit, and how these affect managing earnings. Using a modified Jones model, earnings management was measured. This study employed the ex-post facto research design.

All fourteen money deposit banks that are quoted on the Nigerian Exchange Group made up the study population. From 2012 to 2021, secondary data were gathered from the annual reports of the banks sampled. There were tests for heteroscedasticity, descriptive statistics, correlation and regression analysis, and VIF. According to the study, audit tenure and joint audit service have a negative and insignificant impact on banks' earnings management, however audit fee and the Big 4 audit companies have a negative and statistically significant impact ¹¹³.

In Portugal, a sample of 4,723 unlisted companies was selected, and the investigation examined this association throughout a three-year span from 2013 to 2015 ¹¹⁴. This research delves into the correlation between the quality of financial reporting and audit excellence in the context of French publicly traded companies. It employs the reputation of auditors associated with the "Big4" as an indicator of audit quality, and it assesses earnings management through the estimation of both accruals-based and real earnings management. Discretionary accruals are computed using both the Jones Model and the Modified Jones Model, whereas real earnings management is determined through models outlined by Roychowdhury in 2016. The findings reveal that companies audited by the Big4 firms exhibit higher levels of both accruals-based and real earnings management. This observation can be attributed to the reduced likelihood of auditor litigation risk in France. This study contributes to the existing body of knowledge by scrutinizing the practices of discretionary accruals and real earnings management in the distinctive auditing environment of French companies ¹¹⁵.

This study aims to investigate and reveal empirical evidence regarding the influence of audit quality on earnings management. Audit quality is assessed using two proxy variables: the size of the auditing firm (referred to as "KAP") and industry specialization of auditors. The size of auditing firms is represented by a binary dummy variable, where companies audited by the "Big4" are assigned a code of 1, while those audited by non-Big4 firms receive a code of 0. Industry specialization of auditors is also captured through a binary dummy variable, with a code of 1 indicating that the auditor has a market share equal to or greater than 20%, and a code of 0 for less than 20%.

The study focuses on publicly quoted companies in the manufacturing sector on the Indonesia Stock Exchange. A non-probability purposive judgmental sampling method was employed, resulting in a sample of 104 companies that met the research criteria. Data from the years 2017, 2018, and 2019 were analyzed. The analysis was conducted utilizing multiple linear

regression, leading to the following research findings: The size of the auditing firm (KAP) does not adversely affect earnings manipulation, Industry specialization of auditors also does not have a negative effect on earnings management ¹¹⁶.

We conducted an analysis focused on earning management using a selection of German banks ¹¹⁷. This research endeavors to explore the influence of corporate strategy on the practice of earnings management, with financial performance and audit quality serving as pivotal moderating factors. In this investigation, we employ the conceptual framework put forth by Miles and Snow to delineate the corporate strategy of organizations. The proxies for gauging business strategy encompass the ratio of employees to total sales (EMPSAL), the capital expenditure ratio relative to total assets (CAPTA), and the dividend payout ratio (DPR). To assess financial performance, we utilize the return on assets (ROA), while audit quality is assessed through the size of the auditing firm. Earnings management is quantified using discretionary accruals. A purposive sampling method was employed to determine the sample, resulting in a dataset comprising 16 companies with a total of 80 observations. These companies were categorized into two groups based on their strategies, namely "prospector" and "defender," and were subjected to cluster analysis. Data analysis was conducted using moderated regression analysis (MRA). The findings underscore that an organization's chosen strategy exerts a discernible impact on the practice of earnings management. Furthermore, the investigation unveils that firm performance and auditor quality can exert a moderating influence on the relationship between corporate strategy and earnings management ¹¹⁸. The reesearch employed Return on Assets (ROA), Return on Equity (ROE), and panel data regression as tools for assessing financial performance indicators. Additionally, the Marris ratio and Tobin Q were considered in the analysis. When ROA and ROE metrics were applied, it became evident that earnings management (EM) had an adverse impact on financial success. In contrast, the effect appeared favorable when using Tobin Q and the

Marris ratio as evaluation criteria. These findings underscore the notable heterogeneity between these two approaches, which in turn can shape investors' perceptions of a company's future prospects.

Within the French context, the study identifies two divergent viewpoints that give rise to earnings management: "opportunistic earnings management" and "signaling earnings management." Each of these perspectives can yield distinct outcomes in terms of financial performance.

Using three different indicators, which encompass abnormal cash transfers from operational activities, this research investigated the influence of board characteristics on tangible earnings management within Korean corporations. These indicators encompassed unusual output expenses, as well as irregular spending costs. The primary focus of the research was to assess the influence of board size and board independence on the actual management of profits.

Moreover, this investigation delved into the relationship between board traits and tangible earnings management, both prior to and following the obligatory implementation of K-IFRS (Korean International Financial Reporting Standards). The subsequent findings emerged from this research: Firstly, there is a statistically significant and positive correlation observed between board independence (or board size) and the total atypical revenue generated from operational activities. Secondly, a statistically significant and positive correlation exists between board independence (or board membership) and the quantitative value of atypical production costs. Finally, it is evident that there is a statistically significant and positive relationship between board independence (or board participation) and the overall magnitude of unconventional discretionary expenditures. These findings indicate that the extent of board independence (or board size) does not restrict actual profit management. Consequently, these conclusions suggest that increasing board independence (or altering board size) may not serve as an effective means to curtail tangible earnings management. This research makes a

valuable contribution to the realm of accounting research by conducting a direct examination of the relationship between board characteristics and tangible earnings management within the Korean context. Additionally, it provides empirical evidence suggesting that board independence (or board size) does not exert as strong a control over tangible earnings management as it does over accrual-based earnings management. However, it should be noted that the applicability of these findings to other countries may be limited due to the differing national contexts of South Korea and Nigeria ¹²⁰.

The research delves into the connection between audit expenditures and corporate performance, utilizing a fixed effects model for analysis of a sample comprising publicly traded, non-financial U.S. companies spanning the years 2000 to 2008. The model incorporates standard control variables such as company size, leverage, sales growth, and research and development intensity, in addition to implementing corporate governance measures.

Specifically, the study identifies a link between changes in operational success and alterations in audit fees. A similar investigation explored the relationship between the financial performance of Iranian firms and the quality of their assessments. The financial manager responsible for this study was selected by the Tehran Stock Exchange for this endeavor.

Through the analysis of primary data, it was ascertained that the quality of audit services could indeed influence a company's financial performance ¹¹⁹.

The research adopted an explanatory research design, employing econometric panel data spanning the years 2012 to 2020, encompassing data from nine insurance companies. The study utilized a random effect estimation technique to identify the most influential variable. In this analysis, return on equity and return on assets were used to measure financial performance, and explanatory factors included the size of the board, the competency of the management, board compensation, financial disclosure, debt levels, and dividend policy ¹²⁰.

This research examined the performance of 495 companies spanning 25 different countries. It utilized Tobin's Q as a measure of market value and return on assets as an indicator of operational performance. The data used for this analysis was sourced from Credit Lyonnais' Security Asia (CLSA), and the focus was on the implementation of corporate governance rankings. The investigation showed a significant and favorable association between these firms' financial performance and their corporate governance methods. The study also investigated the impact of institutional choices and audit quality, as determined by the choice of Big4 auditors over non-Big4 auditors, affected the prevalence of earnings management in the French setting. This investigation took place both before and after the Enron scandal ¹²¹. The study covered the six-year period from 2000 to 2007 and focused on a sample of 188 French companies included on the SBF250 index. The study used the Kothari, et al. (2005) model to investigate changes in the modified R2, which went from 2.92 percent to 3.0 percent initially (with a mean of 10.58% over the three-year period from 2000 to 2002). According to the study, 3.91 percent of the differences in profit management during the pre-Enron era (with a mean of 11.44% for the four-year period from 2003 to 2006) might be attributable to auditor selection and institutional activities. It's interesting to note that there were no appreciable disparities between the discretionary accruals reported by Big4 and non-Big4 enterprises in terms of size.

The report also highlighted Australian companies' astonishing propensity for profit-manipulation, particularly against the backdrop of the global financial crisis ¹³⁷. The research employed the Jones and modified Jones models to analyze actual data over a four-year period from 2006 to 2009 to anticipate anomalous accruals in 149 unbalanced panel businesses. During the global financial crisis, it was found that Australian businesses had started using strategies to reduce profits and manipulate revenue. It's interesting to note that the Big4 firms

did not support this tendency, suggesting that there was no influence of audit quality on discretionary accruals.

We provide a thorough examination of the variables affecting real earnings management (REM) globally as well as the results that result from it. Our study examines the development of REM evaluation techniques, a theoretical framework for REM, and the elements that influence REM. These motivating elements are divided into areas including capital market incentives, financial reporting, audits, governance and controls, and regulatory effects. We also explore the body of empirical research that has already been done on the effects of REM. We also offer suggestions for future study, emphasizing the need to resolve measurement-related problems with regard to REM and close gaps in empirical studies examining its causes and effects ¹²². The research examined the relationship between sales manipulation (used as a stand-in for real earnings management or REM) and various financial performance indicators, including Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), and Price-to-Earnings (PE) ratio. The survey was conducted among major industrial firms in the UK from 2010 to 2013.

The study revealed the following key findings: Companies employing sales manipulation to manipulate their profits experienced a detrimental impact on their ROA. Evidence emerged indicating negative effects on EPS among firms engaged in earnings manipulation through sales tactics. A negative correlation was observed between the Price-to-Earnings (PE) ratio and companies employing sales manipulation as an earnings management strategy. Across the board, these companies exhibited an adverse impact on their Return on Equity (ROE).

To conduct this investigation, the study employed a real earnings utilized the management index and abnormal operating cash flow as proxies for evaluating earnings management practices within the specified timeframe by ¹²³. Regarding the findings derived from the panel fixed effects analysis, several significant relationships emerged. The study found that audit

fees had a significant adverse effect on abnormal operating cash flow, while concurrently showing a considerable positive impact on abnormal production costs and the index measuring real earnings management. These results underline the importance of managerial vigilance in curbing deliberate earnings manipulations within their organizations, rather than relying on Big4 firms, which may not necessarily enhance the company's overall value. This underscores the limited correlation between audit quality and the actual manipulation of reported earnings.

To conduct this investigation, data was sourced from the Econometric database and the Brazilian Securities Commission's website. The research scrutinized the association between audit fees and earnings management within the Brazilian market, utilizing a sample of 300 companies quoted on the BM & FBovespa exchange for which it was feasible to ascertain the auditor compensation amounts ¹²⁴. The study employed multiple regression analyses to examine the dataset, and the outcomes revealed a noteworthy and adverse correlation between audit fees and earnings management. This suggests that audit firms charging lower service fees tend to exercise less stringent oversight over their client companies' earnings management practices. Another study delved into the interplay among auditor industry specialization, board governance, and earnings manipulation in the United States. This research uncovered a noteworthy inverse relationship between audit committee independence and earnings manipulation, indicating that an independent audit committee diminishes the likelihood of managerial manipulation of reported earnings.

Likewise, in Canada, an investigation into board composition and earnings management unveiled a significant adverse correlation between audit committee independence and earnings manipulation. This implies that a higher level of audit committee independence contributes to the reduction of earnings manipulation.

2.3.2 Empirical Reviews from Developing Countries

This study focused on the trade sector, specifically companies listed on the Indonesia Stock Exchange, utilizing financial statement data ¹²⁵. The sample selection method employed was purposive sampling, with criteria related to company age, audit quality, leverage, and profitability, spanning the period from 2016 to 2020. Throughout the data analysis process, several standard presumption tests were applied, including tests for heteroskedasticity, multicollinearity, normality, correlation, determination coefficient, as well as simultaneous and partial tests, using SPSS version 25. The research's conclusions are as follows: The management of profit was positively impacted by revenue. The management of earnings was not significantly impacted by leverage. Business age had a very favorable impact on managing earnings. Management of earnings was significantly harmed by audit quality. In a separate research endeavor focused on South African businesses, the investigation delved into earnings management procedures that influenced accounting or operational decisions affecting reported earnings. Accruals, a commonly employed approach in economic and financial studies, were predominantly employed in earnings management practices.

The relationship between earnings management and auditor reporting for companies quoted on the Athens Stock Exchange (ASE) during the post-IFRS era (2005-2009) was also the subject of another study. Conclusions of the study showed that neither Big 4 nor non-Big 4 auditors demonstrated adequate desire to stop earnings manipulation, and that the need for audit views did not seem to be a response to management's opportunistic behavior ¹¹⁴.

The study evaluates earnings management by looking at both real and accruals-based earnings management, and it uses the Big4 auditor brand name as a measure of audit quality.

The study makes use of both the Jones Model and the Modified Jones Model to calculate discretionary accruals. Additionally, Roychowdhury's (2006) models are used to evaluate real earnings management ¹¹⁵. The study was carried out in the context of Egypt. The research used the modified Jones' model, a method that is frequently used in studies, to spot

unexpected accruals. Multiple Ordinary Least Square (OLS) regression was then used as the forecasting technique.

Audit quality measures, including the presence of a Big4 auditor, sector specialization, Auditor tenure, customer growth coupled with leverage, and operating cash flows were introduced as control variables. Together, these variables accounted for 8.4% of the variations in earnings management. It's worth mentioning that the duration of the study and the size of the customer had a significant influence, which was expected. This implies that the length of the auditor-client connection raises the possibility of management-caused revenue manipulation. The impact of joint and dual investigations on revenue management techniques was also explored in this study ¹²⁶. It specifically looked at how the practice of reducing income through accruals and real activities was affected by the use of a dual external audit strategy as opposed to the optional use of joint audits. The study used quantitative methods to collect and evaluate data from the Egyptian Stock Exchange spanning the years 2010 to 2014 and found a negative link between joint audits and discretionary accruals. 104 observations from a firm's year made up the sample, which was tested.

A study from 1988 to 2001 examined the connection between earning management and organizations' success using a sample of 67 nonfinancial companies. A substantial body of research shows a positive relationship between earning management and organizations' performance ¹¹⁷. They create a strong link between the managed revenue volume and the expansion and success of the company. According to the investigation, companies that are more successful typically report bigger earnings. The results do show a poor link between reported earnings and predicted growth, though.

In a study focused on audit quality, earnings management, and the financial performance of publicly traded Malaysian companies, it was found that audit tenure has minimal impact on earnings management ¹²⁷. While the failure rate in long-term contracts is generally low, the

discussion and current data regarding mandatory auditor rotation suggest that the risk increases during the early stages of the audit client relationship and persists over extended periods¹²⁸. They further suggest that switching auditors might not necessarily lead to an improvement in audit quality. They examined the relationship between the quality of audit findings and the lifespan of audit businesses in Malaysia. This study used the popular logistic regression continuous concern model. Their findings show that the length of the audit company's tenure and the standard of auditor reporting are inversely related¹³⁰.

Likewise, a research project examining the impact of audit quality on the performance of Malaysian publicly traded companies during the period from 2003 to 2012 has been carried out¹²⁹. In this study, audit expenses and the changing of audit firms are utilized as proxies for audit quality, while Tobin's q and return on assets are employed as performance indicators for businesses. The research findings indicate that there is minimal correlation between return on assets (ROA) and the measures of audit quality (audit fees and audit firm turnover). Additionally, a strong and positive association is observed between audit fees and Tobin's q, but the relationship between audit firm turnover and Tobin's q is weak.

Moreover, an additional investigation was undertaken to explore the effects of internal audit autonomy on the financial performance of small and medium-sized enterprises operating in the construction sector within Mombasa County, Kenya. This particular study had a specific emphasis on evaluating the impact of four dimensions of internal audit independence: access to records, reporting hierarchy, qualifications of internal auditors, and the responsibilities of the internal audit function. Data were collected through questionnaires as the primary data source, utilizing both structured and informal questionnaires. The sample size consisted of thirty-two (32) audit experts from construction firms classified under NCA 8 in the construction industry. The results revealed that internal audit independence significantly

affects the financial performance of small and medium-sized businesses engaged in construction in Mombasa County, Kenya¹³¹.

A study was conducted to investigate the relationship between the financial performance and audit quality of companies listed on the Nairobi Securities Exchange (NSE)¹³². This research employed an observational research approach and employed the Cronbach's Alpha model to assess the reliability of the data. Rigorous checks for errors and omissions were conducted on both quantitative and qualitative data gathered through surveys. Subsequently, the collected information underwent thorough scrutiny and validation for accuracy and comprehensibility. After this examination, the data was categorized and subjected to descriptive statistical analysis using SPSS software. Multiple linear regression analysis was then employed to explore the data. The study's findings indicate that audit quality has a positive and significant impact on financial performance. Furthermore, companies with more independent auditors tend to exhibit larger net profit margins. While the influence of auditor independence had a more pronounced effect, the role of the auditor's number was still positive and significant, albeit to a lesser degree.

In another study aimed at assessing the impact of profit manipulation on the future financial performance of Pakistani companies, data from 119 companies listed on the Karachi Stock Exchange (KSE) for the years 2004 through 2011 were analyzed using the generalized least squares (GLS) approach¹³³. The research revealed that companies engaging in sales manipulation to inflate earnings and participating in real earnings management (REM) activities tend to experience poorer financial performance in the long run. This study underscores how revenue manipulation might appear advantageous initially but can lead to adverse consequences over time.

This study investigated the impact of earnings and revenue smoothing on the performance of companies listed on the Tehran Stock Exchange¹³⁴. The research spanned a five-year period

from 1999 to 2003 and included a sample of ten companies. The results of the study indicated that revenue smoothing and the quality of profits do not significantly affect the success of companies listed on the Tehran Stock Exchange.

Furthermore, another study examined the relationship between actual earnings management practices and the subsequent performance of companies listed on the Tehran Stock Exchange (TSE). The study purposefully selected a sample of 89 companies from the TSE between 2004 and 2013 ¹³⁵. Ordinary least square regression analysis was employed, and the findings revealed a significant negative correlation between the implementation of real earnings management strategies and future success.

Additionally, the impact of audit quality on accounting earnings was explored within the context of companies listed on the Tehran Stock Exchange (TSE). This research utilized multiple regressions and the ordinary least squares (OLS) method. The study's results supported the idea that audit quality has a substantial influence on accounting profits ⁶⁰.

Based on recent research, this study assesses the correlation between the quality of auditing practices and the financial performance of companies quoted on the Tehran Securities Exchange Market ¹³⁶. Surveys encompassed all 52 enterprises approved for listing on Tehran's securities exchange market. The research findings reveal a typically modest yet positive association between revenue ratios and auditor attributes such as auditor reputation, tenure duration, and size. In terms of auditor size, small auditing firms are categorized as members of the official accountant society's auditing institutions, while large auditing entities are represented by accounting organizations due to their extensive workforce and prolonged existence. Moreover, significant positive associations exist between the length of auditor tenure and profitability, along with a positive but statistically insignificant connection between profitability and the size of the auditing firm. This updated research consolidates prior research on the interplay of two auditor characteristics: auditor capacity, audit fees, and

earnings management in Jordan¹³⁷. The results indicate that, over a 5-year period, encompassing 251 firms per year and consistent with prior Jordanian research, there is no noteworthy influence of these two metrics of audit quality and constraint on revenue fluctuations in Jordan. Furthermore, the outcomes from a generalized least squares regression (GLS) analysis reveal that all control variables (firm size, growth, and return on assets) exert a positive and substantial influence on accrual-based earnings management, except for leverage, which displays a positive but marginal association.

This study focused on manufacturing companies quoted on the Amman Stock Exchange to investigate the impacts of Examining the use of financial performance metrics to assess earnings management, along with a specific investigation conducted in the context of Jordan.¹³⁸ The findings suggest that, spanning a 5-year period and involving 251 firms annually, in alignment with previous Jordanian research, there is no significant impact observed regarding these two measures of audit quality and restraint on revenue fluctuations within Jordan. Moreover, the results obtained from a generalized least squares regression (GLS) the analysis reveals that all the variables used as control factors (company size, growth, and return on assets) exert a noticeable and positive influence on accrual-based earnings management. The only exception to this pattern is leverage, which exhibits a positive but minor correlation. This research was undertaken with the aim of examining how the utilization of financial performance metrics influences earnings management in manufacturing companies listed on the Amman Stock Exchange.

Similarly, another study investigated the postulated positive connection between external audit quality and earnings management within Jordanian financial firms that are publicly traded on the Amman Stock Exchange (ASE)¹³⁹. This research examined how the connection between information asymmetry and earnings management was influenced by audit quality as an example of emerging markets using a sample of Jordanian industrial firms listed on the

Amman stock exchange from 2015 to 2019. Fixed effect model is used to examine study hypotheses. The findings indicate that information asymmetry positively influenced earnings management. Moreover, the results revealed that audit quality negatively influenced the connection between information asymmetry and earnings management, meaning that audit quality can reduce the level of information asymmetry and mitigate earnings management. This study will contribute to corporate governance and auditing literature among Jordanian firms by providing beneficial information for regulators, investors and other stakeholders about how audit quality can restrict information asymmetry and reduce earnings management. This study will be of value to firms seeking to reduce earnings management and enhance financial reporting quality by decreasing information asymmetry. A separate study analyzed data spanning five years, from 2006 to 2010, in the context of Jordan¹⁴⁰. To examine the impact of external audit quality on the earnings management practices of financial companies, a research study was conducted. The methodology employed in this study was a descriptive survey. Secondary data was gathered from the annual reports of selected businesses. Thirteen banks listed on the Amman Stock Exchange (ASE) were chosen from the population of listed firms, specifically targeting external auditors for commercial bank entities.

For the data analysis in this research, panel ordinary least square regression and descriptive statistics were utilized. The findings of the study indicate a strong association between earnings management and three key factors: audit tenure (AT), audit fees (AF), and the affiliation with international audit companies (INS). This suggests that future profit forecasts can be anticipated based on leading indicators of audit quality (AT, AF, and INS). Furthermore, it was observed that earnings management is used as a mechanism to reduce external monitoring, regardless of the size of the business. Additionally, there was no discernible link found between debt, return on assets (ROA), cost of financial distress (CFE), and profit management. A comprehensive five-year investigation spanning from 2006 to

2010 examined how external audit quality impacted profit management in a group of 13 publicly listed institutions¹⁴¹. We investigate the effect of signing auditors' communist party membership on audit quality. Drawing upon a dataset of Chinese publicly traded companies spanning from 2001 to 2019, we find that firms with signing auditors who have communist party membership conduct less earnings management, indicating that signing auditors with party membership provide high level of audit quality. Moreover, the above relationship is more pronounced in small audit firms. Furthermore, it is evident that companies who are audited by signing auditors with party status have lower likelihood of financial statements and loss avoidance. Further analyses suggest that signing auditors with party status can earn audit fee premium. The positive relationship between signing auditors with party membership and audit quality is more pronounced in non-specialists auditors and high client importance. A research assessed the impact of board of directors and shareholder characteristics on profit management in publicly listed Vietnamese companies¹⁴². In this study, we explore the role of internal mechanisms, particularly the board of directors, as well as the functions of audit committees and executive committees in their potential to mitigate or prevent undesirable practices such as income smoothing and earnings manipulation, ultimately contributing to improved firm performance. These behaviors can have adverse impacts on a company's performance. In developed nations like the United States, reports from American stock exchanges and the Securities Commission clearly emphasize the need for audit committee members to actively promote financial development. This arises due to the composition of the board of directors and the audit committee is closely linked to the ability of publicly traded companies to manage their profits.

It's worth highlighting that members of the Audit Committee, along with individuals on the Board of Directors with institutional histories, are linked to companies that demonstrate reduced discretionary current accounts receivable. Additionally, meetings of the Board and

Audit Committee are connected with observable and lower levels of discretionary accruals. These findings are positive indicators, suggesting that the engagement of the Board of Directors, the effectiveness of the Audit Committee, and the financial proficiency of their members are critical factors in restraining managers' inclination to engage in earnings management and income smoothing practices, thus enhancing overall firm performance. Additional research on the interplay between corporate governance and leverage suggests that when a CEO simultaneously holds the position of board chair in a heavily leveraged company, there is a higher likelihood of financial reports being manipulated. In firms that take their debt levels into account, having greater managerial control marginally reduces the extent of profit manipulation. Conversely, a board composed of a larger proportion of non-executive members and marked by concentrated ownership might not exhibit any noticeable impact on earnings management.

It's important to highlight that the limiting influence of board size on earnings manipulation becomes apparent solely in the model that examines discretionary accruals, not in the one focused on accruals quality. As a result, the relationship between board size and earnings management remains uncertain. This study relies on data from Vietnam, and evidence from Nigeria may help validate the applicability of these findings to various countries.

Empirical statistics on the effects of audit quality on Indonesian revenue management. This study's goal is to investigate how, between 2016 and 2020, factors such as company age, The study examines how audit quality, leverage, and profitability impact earnings management in retail and wholesale trading firms that are publicly quoted on the Indonesian Stock Exchange. Financial statement information was gathered for study, with a particular emphasis on businesses in the commerce sector that are traded publicly in Indonesia ³¹.

The sample selection method employed in this research was purposive sampling, using predetermined criteria. This process yielded data from 18 companies for the years 2016 to

2020. Data analysis was carried out using SPSS version 25, encompassing various statistical tests, including assessments for heteroskedasticity, multicollinearity, normality, correlation, determination coefficient, simultaneous effects, and partial effects.

The results of this research suggest that there is a significant positive relationship between company age and earnings management, whereas audit quality has a notable negative effect on earnings management. On the other hand, leverage is not observed to have a significant effect on earnings management, and profitability is identified as having a favourable effect on earnings management. In the context of Indonesia, variations in earnings management were primarily attributed to a combination of audit quality variables, which accounted for 52 percent of the observed differences. These variables encompassed factors such as engagement by Big 4 auditors, client size, auditor specialization, debt levels, and operational cash flows. This differs from the results of a research investigation¹⁴³. firms within the environment of 337 publicly traded non-financial companies in Saudi Arabia. In that study, which calculated the absolute value of discretionary accruals using a cross-sectional modification of the Kothari model and considered only one of the chosen audit quality factors, namely the audit opinion, exhibited a noteworthy negative impact, explaining 9% of the variability in discretionary accruals. This finding held true even after considering control variables like. The study focused on earning management and financial performance among listed non-financial companies in Nairobi, considering factors such as company size and operational cash flows¹⁴⁴. The research focused on a sample of 164 senior managers working in the finance departments of 41 non-financial companies listed on the Nairobi Stock Exchange (NSE). Out of this group, 80 managers participated in surveys as part of the research methodology, which included both descriptive and inferential approaches. The study's results revealed that effective revenue management positively influenced the financial performance of these businesses. To enhance their financial performance, companies employed various

revenue management strategies such as timing revenue recognition, making revenue forecasts, profit shifting, and proper revenue recognition. Moreover, the research also highlighted the importance of sound expense management practices, encompassing expense recognition, allocation of reserves, inventory management, and reduction of discretionary spending, in impacting the performance of non-financial NSE-listed firms. Managing assets and liabilities, however, did not significantly contribute to improved financial performance, and the study revealed that undervaluing assets, overestimating liabilities, and concealing liabilities had adverse effects on a company's financial performance.

Interestingly, the research discovered that proficient inventory control, effective handling of accrued expenses, and skilful management of accounts receivable were crucial factors contributing to the financial success of businesses, particularly in relation to their revenue. Additionally, the research shed light on the role of accounting flexibility, which enabled companies to engage in improper earnings management practices. Accounting regulations, while having some impact, did not entirely serve as a complete mediator for the connection between earnings management practices and a company's financial performance.

Based on these findings, the study suggests that companies should establish appropriate principles and guidelines for their earnings management practices.

Furthermore, in the Nairobi context, conducted an evaluation of how audit quality influenced the financial performance of publicly traded state-owned enterprises listed on the Nairobi Securities Exchange ¹⁴⁵. The study examines the audit quality and market valuation of deposit money banks that are publicly listed in Nigeria.

Specifically, the research assesses how the duration of the audit involvement (audit tenure) and the size of the auditing firm influence the stock prices of these listed banks in Nigeria. To achieve this, the research employs panel cross-section random effects and panel least squares

techniques to estimate the empirical model. The research spans from 2013 to 2020 and centres on eight of the fourteen publicly quoted money deposit banks in Nigeria.

The results indicate that longer audit tenure has a favourable influence on the stock prices of money deposit banks in Nigeria. In contrast, the size of the audit firm shows a direct correlation with stock amounts but is not statistically significant. Therefore, the study suggests several recommendations, one of which is that deposit money banks should enhance audit quality by implementing auditor rotation policies to mitigate personal connections and familiarity that might result to decreased attentiveness by the auditor.

In a study that employed the magnitude of voluntary accruals as an indicator of earnings management, size of audit firm was utilized as an indicator of the quality of audit. The results indicate that even large audit firms characterized by high audit quality are ineffective in curbing managers' manipulation of discretionary accruals and their opportunistic actions when scrutinizing a company's financial statements. Consequently, the number of auditors has a noteworthy and negative influence on reducing the manipulation of accruals for profit.

Evidence was provided by 29 Tunisian firms that are publicly traded, in an investigation into the twin effects of audit quality and the implementation of the country's new financial security legislation on earnings management for 11 years (2010-2021) by ¹⁴⁶. This study seeks to investigate the connection between factors related to pressure, opportunity, and rationalization, and the occurrence of real earnings management within Malaysian publicly listed companies. The research utilized a sample comprising 557 Malaysian publicly listed firms observed during the years 2017 to 2019, totaling 1,671 firm-year data points. Expanding upon a study conducted by Khanh and Nguyen in 2018, which primarily focused on external governance factors related to audit quality, this study contributes to the understanding of real earnings management by incorporating the influence of internal governance aspects such as board independence and multiple directorships.

In line with the methodology employed by Roychowdhury in 2016, real earnings management is assessed using abnormal cash flow from operations, abnormal production costs, and abnormal discretionary expenditure as indicators. The results of the regression analysis reveal a significant negative relationship between financial performance, measured by return on assets, and the occurrence of real earnings management. Additionally, the findings indicate a positive and significant correlation between audit quality, assessed through audit firm size, and real earnings management. The insights gained from this study offer valuable information for investors, encouraging a reevaluation of firms' corporate governance practices, and also provide regulators with important considerations for potential adjustments to current regulations pertaining to the practice of real earnings management.

A study was conducted to examine the impact of auditor opinions on earnings management for 60 companies listed on the Bucharest Stock Exchange. The findings indicated a connection between the presence of the Big 4 audit firms, as well as the issuance of qualified audit opinion reports, and a reduced likelihood of engaging in earnings management¹⁴⁷. Consequently, concerning Romanian listed companies, there exists a negative correlation between audit opinion and the number of inspectors with discretionary accruals. Empirical evidence substantiates the correlation between the size of audit firms and their sector-specific expertise in relation to earnings management within a sample of 2,552 Chinese companies spanning the four-year period from 2008 to 2011¹⁴⁸. Their findings align with recent research findings using standard multiple OLS analysis, showing an adjusted R² value of 90.75 percent. Notably, audit quality factors such as auditor growth, auditor specialization, and five control variables explain a larger portion of variations in earnings management.

A prior study involving 166 had investigated the impact of audit quality on both earnings management and the cost of capital within a dataset consisting of 3,310 Chinese companies, encompassing both state-owned enterprises and non-state-owned ones. Contrary to the widely

held belief that audit quality consistently limits managers' ability to manipulate company earnings, this research's results challenge this notion, particularly in the context of state-owned businesses. Nevertheless, it's important to highlight that the size of the audit firm exhibits a positive and substantial association with the occurrence of earnings management. The research suggests an additional pseudo-adjusted R² value of 28 percent in this context.

The study investigated the association between audit quality and earnings management among non-financial firms listed on the Borsa Istanbul stock exchange ¹⁴⁹. This study examines the connection between the quality of financial reporting and the quality of audits in the context of publicly traded companies in France. Audit quality is approximated using the reputation of the auditor, specifically the presence of Big4 audit firms, while the evaluation of earnings management involves the assessment of both actual and accrual-based earnings management.

For discretionary accruals, the study employs the Jones Model and the Modified Jones Model, while real earnings management is assessed using models proposed by Roychowdhury (2006). The findings reveal that companies audited by Big4 firms tend to exhibit higher levels of both accruals and real earnings management. This outcome is possibly influenced by the comparatively low level of litigation risk for auditors in the French context. This research contributes to the existing body of knowledge by examining the presence of both discretionary accruals and real earnings management in the unique auditing landscape of French companies.

Moreover, a connection between the quality of audits and revenue management was identified in Tunisia ¹⁵⁰. Their findings indicated that companies subjected to audits by the Big 4 firms exhibited lower levels of discretionary accruals. Additionally, there was a significant and negative correlation observed between Big 4 audits and profit management.

In another study, the researchers examined how businesses might behave in the future if they solely relied on earnings management to meet earnings targets. The research revealed a positive relationship between earnings management practices and companies that just met their earnings benchmarks, even after accounting for factors like company size and opportunities for performance growth, and sector ¹⁴⁹.

A study also established the influence of internal audits on the financial prosperity of commercial banks in Kenya ¹⁵¹. This research delved into the assessment of internal auditing within the framework of internal auditing standards, expert competence, internal safeguards, and the independence of internal audits. The study focused on a senior manager in the financial sector as its subject. To gather data, a survey questionnaire was distributed to all individuals within the target group. Data analysis involved regression analysis and quantitative approach. The research findings indicated that an elevation in internal audit standards was associated with an enhancement in the financial performance of commercial banks. The study ultimately inferred that a favorable relationship exists between the financial performance of commercial banks and various factors, including internal audit standards, the autonomy of internal audits, professional expertise, and internal control measures. Specifically, an enhancement in professional competency, internal control, and the independence of internal audits led to improved financial performance in commercial banks. Furthermore, each unit increase in internal control amplified these improvements.

In order to improve the financial performance of banks, this study suggests that management within commercial banks in Kenya should adopt and implement robust internal audit practices. These practices should include strict adherence to internal auditing standards, promoting independence within internal audit functions, cultivating specialized expertise, and fortifying internal controls. In the present business landscape, most companies have adopted a range of strategies to enhance their financial performance, with a notable emphasis on

earnings management practices. Despite occasional misapplications leading to corporate disasters, these techniques remain prevalent as tools for performance enhancement. This study aimed to explore the impact of earnings management practices on the financial performance of businesses based in Nairobi, Kenya.

In particular, the research sought to evaluate how revenue management, expenditure control, and asset and debt management influenced the financial outcomes of non-financial companies listed on the Nairobi Stock Exchange (NSE). The study drew its theoretical foundation from three frameworks: institutional theory, which examines how firms interact with their external environment; signaling theory, which enables firms to communicate signals to stakeholders regarding their financial health, performance, and future prospects; and the endorsement of the Institute of Certified Public Accountants of Kenya (ICPAK), which anticipates that business management and owners in Kenya will gain practical insights from this research.

For the study, 164 senior managers from the finance departments of 41 non-financial NSE-listed companies in Nairobi were selected using stratified sampling methods, and 80 of them completed surveys. The research employed both descriptive and inferential research methodologies, with data analysis carried out using SPSS version 21.0.

The findings indicated that revenue management positively impacted the financial performance of businesses. To enhance their performance, companies employed various revenue management practices, including revenue timing, revenue forecasting, profit shifting, and revenue recognition. Effective expenditure management practices, such as expense recognition, creating reserves, managing inventory, and reducing discretionary spending, were also found to contribute to the performance of non-financial firms listed on the NSE.

Nonetheless, the investigation unveiled that manipulating assets and liabilities did not lead to enhancements in financial performance. In fact, inflating assets, downplaying liabilities, and hiding liabilities were linked to detrimental impacts on a company's financial performance.

Conversely, sound inventory management, effective management of accrued expenses, and proficient management of accounts receivables were identified as factors supporting revenue success. Moreover, the research unveiled that accounting flexibilities enabled companies to partake in unethical earnings manipulation, and accounting regulations failed to completely moderate the link between earnings management practices and the financial prosperity of businesses. As per the study's findings, companies are encouraged to establish appropriate principles and directives for managing their earnings. Additionally, the research recommends that the Institute of Certified Public Accountants of Kenya (ICPAK) formulate policies that endorse sound revenue management practices among businesses to enhance their financial performance.

Additionally, the study underscores the significance of focusing on particular and unique characteristics of the audit committee in the context of corporate governance and earnings quality. These factors encompass elements such as the committee's makeup (including the number of members), the regularity of its meetings, and the role of its chairperson, who could be either an independent non-executive member or a shareholder.

Moreover, their findings indicated a limited correlation between the independence of the audit committee and the prevalence of earnings management^{152, 153}. This study delves into the impact of both the independence and financial expertise of audit committees on the quality of financial reporting. Specifically, we examine how these two factors relate to the practice of accrual earnings management. Our research draws upon a dataset encompassing Chinese public companies spanning from 2010 to 2017.

The results reveal a negative correlation between the level of independence exhibited by the audit committee and the practice of accrual earnings management. This finding suggests that a greater presence of independent directors on the audit committee enhances its ability to supervise and ensure the accuracy of reported earnings.

Interestingly, our investigation did not uncover any discernible effects stemming from the audit committee's proficiency in assessing accrual earnings management in the realm of finance. These findings hold up even when considering the potential issue of endogeneity.

This study holds significance for policymakers and various stakeholders involved in the realm of financial reporting and corporate governance.

The research investigated the interrelationships among financial performance, the size of audit firms, and audit quality. The investigation relied on secondary data extracted from annual reports of Taiwanese accounting companies. This data, spanning multiple years, was a fusion of cross-sectional and time series information, creating a comprehensive dataset for analysis. The research methodology applied was association analysis. The outcomes of the study unveiled two key findings: a positive correlation between audit quality and financial performance and a positive association between audit quality and the size of audit firms.

In a distinct investigation, the study delved into whether the age of companies had any impact on the financial performance of Turkish companies listed on Borsa Istanbul. The primary goal was to determine whether the age of these Turkish firms played a role in their profitability in the year ¹⁵⁴. To achieve this, the research utilized a robust fixed effects model with reliable standard errors, drawing from a dataset that covered the years 2005 to 2014 and included an annual average of 302 non-financial companies. The results unveiled a captivating pattern in the correlation between company age and financial performance, measured through metrics like return on assets, return on equity, and gross profit margin. This relationship displayed a negative and convex trajectory, implying that younger

businesses initially witnessed a decline in profitability but had the potential for a resurgence in profitability as they matured. These findings carry significant implications. Most of the research, as evident from the empirical analysis earlier, was carried out in regions other than Nigeria. Therefore, it's not suitable to directly apply the findings from these studies to Nigeria due to the unique nature of their methodologies. To elaborate further, the evaluation of financial success in Nigeria can be subject to significant criticism because it is best assessed through quantitative measures.

2.3.3 Empirical Reviews in Nigeria

In light of these findings, the study recommends that listed companies in Nigeria should enhance their monitoring of firm-specific characteristics to mitigate the risk of engaging in opportunistic EMP, thereby ensuring the production of high-quality financial statements.

Another study looked at the effect of audit quality on the accruals profits management of listed businesses in Nigeria in line with the aforementioned empirical research. The five years from 2012 to 2017 were covered by secondary data from 63 businesses ¹⁵⁵. This study aims to provide empirical evidence regarding the link between audit quality and the use of creative accounting strategies in Nigerian public listed companies. The research is based on a panel dataset encompassing all companies listed on the Nigerian Stock Exchange (NSE) over a nine-year period, from 2010 to 2018. A total of 84 companies listed on the NSE were included in the analysis, yielding 756 firm-year observations. Data were collected from annual reports of these listed companies and Thompson Reuters DataStream, utilizing a secondary data retrieval method.

The motivation behind this study was to examine how accrual-based earnings management affects the financial statements of reserve banks in Nigeria. This research was prompted by the instances of business failures and shortcomings within the banking sector, even when clean audit reports had been issued ¹⁵⁶. The research focused on investigating the factors that

influence Earnings Management Practices (EMP) in companies listed in Nigeria. A sample of 76 non-financial listed firms was purposefully selected, providing a dataset of 836 firm-year observations spanning from 2010 to 2020. Secondary panel data was gathered from the financial reports of these companies, and the analysis involved using descriptive statistics and the Generalized Method of Moments (GMM) estimator. The study employed the Raman and Shahrur (2008) model to measure Discretionary Accrual EMP. The findings indicated that factors such as asset structure, free cash flow, dividend payout ratio, firm profitability, and working capital had a positive and statistically significant impact on EMP, suggesting that they could potentially influence firms to manage their earnings opportunistically. Conversely, factors like capital structure and firm size were found to have a negative influence on EMP in the context of Nigeria.

The research utilized multiple regression analysis to explore the connection between the quality of audits and the adoption of creative accounting techniques. The results of the study indicated an insignificant negative association between audit fees and the use of creative accounting strategies. This suggests that changes in audit fees do not appear to be linked to the use of such strategies. Additionally, audit size was found to be statistically insignificant and positively related to the adoption of creative accounting strategies. This suggests that audit size may not act as a constraint on managerial opportunistic behavior when it comes to employing creative accounting strategies.

However, a notable finding was a significant positive relationship between audit independence and the utilization of creative accounting strategies. This implies that as audit firms become more independent, managers tend to engage more in creative accounting strategies. In conclusion, the study suggests that regulatory authorities in the Nigerian capital market should consider reforms within the audit market to ensure that audit firms perform

their duties in a manner that mitigates and prevents managers from resorting to fraudulent creative accounting strategies.

The study explores the impact of board size on the management of actual earnings by publicly traded companies in Nigeria. It employs an ex-post facto research methodology and relies on secondary data extracted from the annual reports of listed companies ¹⁵⁷. Among a pool of 57 companies, 31 were chosen through a simple random sampling process for the fiscal years spanning from 2009 to 2018. To accomplish this goal, three panel regression estimation approaches, specifically pooled, fixed effect, and random effect, were utilized. The data analysis was carried out using E-Views 10 software.

The study's results indicated that the board's size has a minimal influence on real income management. As per the research findings, the board functions as a corporate governance mechanism that aids in reducing profit manipulation. Consequently, the study suggests that effective corporate governance practices are essential to reduce real profit manipulation and prevent potential financial institution failures in Nigeria. Lastly, regulatory bodies such as the Nigerian Stock Exchange (NSE) and the Securities and Exchange Commission (SEC) should rigorously enforce compliance with corporate governance best practices.

Analyzing Earnings Management and Board Structure: Evidence from Nigeria; this study evaluates the impact of board composition on earnings management practices within Nigerian companies ¹⁵⁸. In the realm of enhancing a company's performance and profitability, the CEO holds the most influential position. This is because the CEO has ultimate authority over critical corporate matters such as financial transparency, board structure, and the overall performance of the company. Researchers have placed particular emphasis on earnings management as it is considered a significant factor in the manipulation of financial statements. Consequently, the primary objective of this study was to investigate the influence of various CEO characteristics on earnings management within the context of Nigeria.

The study utilized a dataset spanning ten years, covering the period from 2012 to 2021, comprising data from 57 firms listed on the Nigerian Exchange Group. The analysis revealed a statistically significant relationship between CEO tenure and earnings management. Interestingly, the research found that the length of time between CEO changes did not impact earnings management among Nigerian companies. Additionally, the findings indicated a statistically significant negative association between having dual Chief Executive Officers and earnings management. Lastly, the study unveiled a strong correlation between CEO political connections and earnings management. In essence, this research provides empirical evidence of the substantial influence CEOs wield over earnings management and how it can potentially lead to manipulation, subsequently affecting the quality of financial reporting.

Examined the impact of revenue management on the financial performance of listed reserve money institutions in Nigeria ¹⁵⁹. The study utilized data extracted from the annual reports and balance sheets of five selected institutions spanning from 2011 to 2015. Return on assets (ROA) was employed as a measure of banks' performance, while loan loss reserves were used as an indicator of earnings management. The data analysis was conducted through pooled ordinary least squares linear regression. The study's findings revealed that Nigerian deposit money institutions indeed engage in earnings management practices. However, it did not identify a statistically significant impact of earnings management on ROA. This study explores the influence of revenue management methods on the financial performance of deposit money institutions listed in Nigeria ¹⁶⁰. Data spanning from 2013 to 2017 were extracted from the annual reports and balance sheets of five selected institutions. Return on assets (ROA) was employed as a surrogate indicator for the performance of banks, while loan loss reserves were utilized as a proxy for profit management. The research conducted data analysis using pooled ordinary least squares linear regression. The findings of the study revealed that Nigerian money deposit banks engage in profit management practices. However,

it's important to note that the research did not identify a statistically significant impact of profit management on ROA. Consequently, it is recommended that comprehensive measures be implemented for the assessment, examination, and scrutiny of financial statements of deposit money banks (DMBs), despite the absence of a statistically significant correlation between these variables. Keywords: ROA, pooled OLS, loan loss reserves, profit management.

This research investigates the influence of audit quality on the financial performance of reserve money institutions in Nigeria ¹⁶¹. Meeting stock returns in multinational manufacturing companies listed in Nigeria has remained difficult as the companies had been struggling to remain profitable owing to high cost of running manufacturing companies in Nigeria. Unethical practices, security challenges and unstable economic policies have greatly hindered effective performance and stock return of these companies. Prior studies had shown that audit quality and enterprise risk management had the ability to enhance stock return. Consequently, this study examined the effect of audit quality and enterprise risk management on stock returns of multinational manufacturing companies listed in Nigeria. The study employed ex-post facto research design. The population comprised 32 multinational manufacturing companies listed on the Nigerian Exchange Group (NGX) as at 31st December 2021. Fourteen firms with relevant data were purposively selected. Validated data, covering a period of 15 years (2007 - 2021) were extracted from published annual reports and sustainability reports of the sampled firms. Reliability of the data was premised on the auditors' and regulatory agencies certification of the source documents. Descriptive and inferential (multiple regression) statistics were used to analyzed the data at 5% significant level. Findings revealed that audit quality and enterprise risk management had significant effect on return on equity ($Adj.R2 = 0.0925$, Wald-test (5, 201) = 5.20, $p > 0.05$). The

research suggests that company management should prioritize both audit quality and enterprise risk management as measures to improve the stock returns of the companies.

A research study in Nigerian reserve money institutions examined corporate governance mechanisms and the practice of revenue smoothing ¹⁶². In this study, we explore the impact of internal mechanisms within companies, specifically the roles of the board of directors, audit committees, and executive committees, in mitigating or preventing undesirable behaviors like income smoothing and earnings management. These behaviors can have adverse effects on a firm's performance. In developed countries such as the USA, reports from American stock exchanges and the Securities Commission emphasize the need for audit committee members to contribute to financial development. The structure of the board of directors and the audit committee is closely linked to the potential for publicly traded companies to engage in profit management.

It's noteworthy that members of the Audit Committee, as well as individuals on the Board of Directors with institutional backgrounds, tend to be associated with companies that have fewer discretionary current receivables. Moreover, meetings of the Board and Audit Committee are correlated with observable and reduced levels of discretionary accruals. These findings provide positive indications that underscore the importance of the Board of Directors' activity, the effectiveness of the Audit Committee, and the financial expertise of their members in curbing managerial tendencies towards earnings manipulation and income smoothing, ultimately contributing to improved firm performance. The empirical results indicate that board membership is not effective in detecting or preventing revenue smoothing. The study's findings suggest a significant association between corporate governance and revenue smoothing within Nigerian reserve banks. To reduce instances of fraudulent revenue smoothing, the research underscores the importance of strict adherence to corporate governance practices by banks. This, in turn, can enhance the quality and reliability of

financial reporting within Nigerian deposit money institutions. It's important to note that this study is confined to the financial sector. Conducting a survey involving publicly traded companies could provide further insights into the relationship the study looked into the relationship between board size and earnings management in Nigeria. It also assessed how audit quality impacted the financial performance of companies listed in Nigeria ¹⁶³. This study delved into examining the impact of audit quality control on the financial performance of deposit money banks (DMBs) in Nigeria. Specifically, it focused on assessing the influence of professional competence and professional objectivity on the financial performance of DMBs in Nigeria.

For data analysis, the study employed the Ordinary Least Square (OLS) regression method to investigate the relationship between audit quality control and the financial performance of DMBs in Nigeria. The findings revealed that professional competence had a positive but statistically insignificant effect on the financial performance of DMBs in Nigeria. In contrast, professional objectivity had a positive and statistically significant impact on the financial performance of DMBs in Nigeria.

In conclusion, the study emphasized the importance of auditors demonstrating greater skill during audit engagements to provide clients with assurance of their services. It also underscored the significance of maintaining professional objectivity, which has proven to have a positive and significant impact. As recommendations, the study suggested that professional auditor skills should be continually enhanced through rigorous professional training, including participation in both local and international conferences. Additionally, it emphasized the importance of auditors maintaining professional objectivity in carrying out their statutory duties, thus ensuring that skills are not manipulated in the process. They recommended that regulatory bodies such as the SEC should ensure strict adherence to established rules and regulations for improved oversight and governance¹⁶⁴.

A research study investigated the factors influencing revenue management using a sample of Nigerian publicly traded companies¹⁶⁵. This study employed a cross-sectional research approach and heavily relied on secondary data extracted from the annual financial statements of publicly listed companies. A total of 30 businesses spanning the fiscal years from 2007 to 2014 were selected using the simple random sampling method. The research leveraged secondary data from the financial records of these listed firms, obtained from sources such as the Nigeria Stock Exchange and the websites of the selected companies. For data analysis, the study employed the Ordinary Least Squares (OLS) regression analysis method.

In this study, OLS regression methods were applied to investigate the impact of various explanatory factors on earnings management, using the discretionary accruals measure. These factors included corporate governance, firm size, audit firm type, and financial performance. The research findings revealed a significant negative correlation between board size, audit firm type, and earnings management. Furthermore, the study indicated a non-significant association between firm size, return on assets (ROA), and earnings management.

Based on these findings, it is recommended that businesses consider the importance of enhancing board independence. Furthermore, companies should ensure that they hire reputable accountants with a track record of producing accurate financial reports. Finally, it is recommended that the Financial Reporting Council should enforce more stringent penalties for companies found responsible for engaging in earnings manipulation. Although the study had limitations in terms of corporate governance and board independence, it implies that the board's size could influence management's capability to manipulate profits.

A research investigation was undertaken to determine the influence of earnings management within the Nigerian financial sector³⁹. The research employed statistical methods such as the Kruskal-Wallis test and multiple bar chart analysis to analyze the data, primarily collected from primary sources. The study's results revealed that the primary incentive for engaging in

earnings management practices within the Nigerian banking sector was to increase operational expenses, thereby reducing tax liabilities. Furthermore, these strategies were designed to create the perception of reduced debt levels, present the company as less risky, and project a path of profitability, all with the aim of maintaining or increasing stock prices.

In a survey of publicly listed companies in Nigeria, these firms were classified into either high-positive or low earnings management categories. This categorization enabled researchers to investigate the factors that influenced a company's decision to employ different levels of earnings management practices¹⁶⁶. Additionally, they found that these Nigerian firms had not put significant effort into considering corporate governance and earnings management over the years¹⁶⁷. The objective was to determine how revenue management affects shareholder wealth. Correlation analysis was employed to examine data from secondary sources. The findings indicate a negative association between earnings management and shareholder wealth.

A study investigated how earnings management impacts the financial performance of reserve money institutions listed in Nigeria¹³¹. This study utilized secondary data extracted from the annual reports and financial statements of five chosen institutions, spanning the period from 2011 to 2015. The research employed return on assets (ROA) as a measure of bank performance and used loan loss reserves as a proxy for earnings management. Data analysis was carried out using pooled ordinary least squares linear regression.

The research findings indicated that money deposit banks in Nigerian do employ earnings management practices. However, the study found no statistically significant impacts of earnings management on Return on Assets (ROA). Therefore, it is recommended that appropriate and comprehensive measures be implemented to assess, examine, and analyze financial statements of money deposit banks (DMBs), even in the absence of a statistically significant relationship between these variables.

A research on the business survival of listed industrial firms in Nigeria and earnings management ¹⁶⁸. The poor quality of income is one of the elements found in research to have a limited capacity to explain earnings. Although many regulatory regimes allowed income management within the bounds of financial reporting rules, these activities can occasionally cross with dishonest financial reporting depending on the intention and level of aggressiveness. This convergence may have an impact on a company's stock price, ability to continue operations, and general viability. This study's main goal was to find out how earnings management affected the survival of industrial enterprises in Nigeria. The population of the study included 66 industrial companies that were listed on the Nigerian Stock Exchange as of December 31, 2016. A sample of thirty businesses with thorough data was specifically chosen for the study from this group. The sampled companies' public financial statements from 2005 to 2016 were used to gather secondary data covering a 12-year period. Descriptive and inferential statistics, including OLS regression, were used for the data analysis. On the dataset, diagnostic methods were also used. Concerning our primary hypothesis (H01), the research revealed that corporate governance (CG) and earnings management (EM), as measured through discretionary accruals, significantly influenced a firm's survival. Nonetheless, the indicators for EM and CG exhibited varying impacts on a company's longevity.

The practice of earnings management has resulted in adverse outcomes for companies, extending its impact to international contexts and raising concerns among academics and scholars ¹⁶⁹. Aggressive earnings management techniques have been implicated in a number of business scandals, including those involving Enron and WorldCom. Researchers looked into how corporate governance affected the ways that publicly traded industrial enterprises in Nigeria manage their earnings. Ex post facto research approach was used in the study, which concentrated on the 49 manufacturing companies listed on the Nigeria Stock Exchange (NSE)

as of the end of 2019. The study covered the years 2010 to 2019 and comprised a sample of twenty-six (26) businesses chosen over a ten-year period using the stratified random selection method. The chosen companies' annual reports were the source of the research's data, which was then subjected to both descriptive and inferential statistical analysis.

The study's findings revealed that various factors, including corporate governance practices, the frequency of board meetings, gender diversity within the board, board size, and board composition, did not have a statistically significant influence on how earnings were managed by listed companies in Nigeria ¹⁷⁰. Additionally, the research found limited evidence to support a significant relationship between corporate governance and earnings management techniques among publicly traded manufacturing firms. Based on these statistical findings, the study concluded that corporate governance exerts minimal influence on the earnings management strategies employed by listed companies in Nigeria. To enhance investor and stakeholder confidence in a company's financial reporting accuracy and overall financial well-being, it was recommended that companies adhere rigorously to established corporate governance standards.

Surveys were used in another research effort that examined the relationships between Nigerian corporate governance structures and earnings management. This investigation evaluated the effectiveness of listed Nigerian companies' corporate governance. It also looked at the connection between earnings management and the ownership structure of publicly traded Nigerian companies ¹⁷¹. Both the categorization of listed companies into different levels of earnings management and the investigation of the relationship between corporate governance and the likelihood that listed companies in Nigeria will be associated with either high or low levels of earnings management were not done in previous studies conducted in Nigeria. These gaps in earlier research highlight the significance of the current study. Every company strives for sustainable growth, particularly in terms of revenue and growth measures

¹⁷². Due to business managers' manipulation of earnings, this ambitious goal may encounter challenges. The study examined the connection between corporate board traits and profits management in Nigerian firms from 2009 to 2018. The modified Jones model's discretionary accruals were used to evaluate earnings management as the dependent variable, while the four characteristics of a corporate board—size, independence, gender diversity, and board meetings—were used to determine the independent variables.

A substantial inverse relationship between board attendance, board independence, and earnings management was revealed by the findings of the Random Effect Generalized Least Square Regression. However, there was only a weak relationship between earnings management and female diversity on the board. A study on the financial stability and tax administration of Nigerian deposit money institutions is recommended by corporate governance standards, as are the participation of a sizable number of directors (within appropriate bounds) and the addition of more foreign directors to firm boards. The study is eight years long, from 2008 to 2015⁶. Ex-post facto methodology was used in the study, which sampled ten (10) deposit money banks (DMBs) and used descriptive and inferential statistics. The publicly available annual reports and related financial statements served as the primary data sources. The findings of the study suggested a link between accrual-based earnings management and the financial success of DMBs. It was advised that appropriate and sufficient mechanisms be established for assessing, looking over, and scrutinizing the financial statements of DMBs in light of these conclusions. The study also demonstrated that DMBs use earnings management.

The study also explored how firm characteristics influenced earnings management within listed Deposit Money Banks in Nigeria. The research encompassed all deposit money institutions listed on the Nigerian stock exchange from 2015 to 2019. Robust fixed regression analysis was applied to the selected companies, and various statistical techniques, including

descriptive statistics and correlation matrices, were utilized. The study's findings, which involved confirming certain assumptions, indicated that neither the frequency of board meetings (with a P-value of 0.701) nor the composition of audit committees (with a P-value of 0.264) had a statistically significant impact on the enhancement of earnings management. Consequently, the research concluded that the factors examined did not consistently influence a firm's propensity to engage in earnings manipulation and exaggeration. Therefore, the study recommended that regulatory bodies, such as the SEC, ensure that institutions adhere to established regulations.

Another research project looked on the effects of earnings management in the financial sector of Nigeria. In order to analyze the data, the primary data source was used along with statistical methods such the Kruskal-Wallis test and several bar charts. The study's conclusions showed that exaggerating operating costs to lower tax exposure and raising apparent borrowing levels to give the impression of lower risk and a profitable trajectory were the main forces behind profits management methods in the Nigerian banking sector²⁷.

In addition, an empirical study was done to ascertain how loan loss provisions affect deposit money banks' financial outcomes in Nigeria ¹⁷³. The research utilized econometric analysis to examine annual data from eight financial institutions over a five-year period from 2006 to 2011. The study's findings indicated a significant and favorable relationship between the financial performance of Nigerian Deposit Money Banks (DMBs) and their provisions for debt loss.

In a similar vein, this research investigated the influence of earnings management on the valuation of firms in Nigeria during a span of seven years, ranging from 2005 to 2012. Loan loss provision (LLP) was employed as a measure for earnings management, while return on capital employed (ROCE) served as a gauge for firm value. Through regression analysis

conducted on retrospective data, a statistically significant and favorable impact of earnings management on firm value was identified ¹⁷⁴.

Another study explored the connection between actual earnings management and the future return on assets using a panel data methodology, involving 119 companies listed on the Karachi Stock Exchange from 2004 to 2011. The findings of this research revealed a significant and positive correlation between future return on assets and indicators of real earnings management ¹⁷³. In this study, all 15 listed banks were examined over a ten-year period, from 2006 to 2015, to evaluate audit quality and corporate governance in connection to earnings management. The investigation verified a relatively low degree of earnings manipulation, with discretionary accruals seeing an average of 14%. The combined Ordinary Least Squares (OLS) estimations were deemed suitable, and after accounting for variations in audit tenure, audit expenses, board independence, firm size, and leverage in discretionary accruals, they produced an adjusted R-squared value of 63%. The expected impact of audit quality measures was seen, with audit tenure having a negative and significant impact and audit fees having a favorable and considerable impact.

Similar to this, a study focused on audit quality and earnings management among Deposit Money Banks (DMBs) listed in Nigeria. There were 60 firm-year data points in the sample, which included six randomly chosen listed banks across a ten-year period from 2005 to 2014¹⁷⁵. In contrast to the Akintayo and Salman (2018) approach, the study utilized the Beaver and Engel model to detect abnormal accruals associated with loan loss provisioning. The outcomes obtained from the random effects analysis revealed that factors such as joint audits, audit tenure, auditor specialization, and audit independence collectively accounted for only 10% of the total variances. Joint audits exhibited a positive and statistically significant effect, while auditor specialization had a negative and significant impact. Audit independence

also demonstrated a positive and significant influence, functioning as effective components of audit quality that mitigated earnings management practices.

A study undertaken by researchers investigated how audit quality influences earnings management in Listed Deposit Money Banks in Nigeria. This research was motivated by the recognition that effective audits can detect significant errors and misrepresentations in financial statements. Interestingly, despite most banks receiving clean audit reports, the Nigerian banking sector had experienced frequent defaults, failures, and undesirable mergers and acquisitions. To conduct this study, the researchers examined annual reports from ten (10) listed deposit money institutions over a period of eight (8) years¹⁷⁶.

The study utilized the Ordinal Least Squares (OLS) regression as its analytical approach and found compelling evidence that audit quality played a significant role in influencing earnings management within the listed deposit money institutions in Nigeria over the study period. Furthermore, the research identified that factors such as the size of the audit firm and the utilization of joint audit services had a noteworthy impact on the management of earnings within these Nigerian institutions. Moreover, the study revealed that a strong financial reliance on auditors substantially contributed to the practice of earnings management within the listed deposit money institutions in Nigeria. Consequently, the study recommended that these institutions should consider more frequent engagement with Big 4 audit firms and explore the adoption of joint audit services. Additionally, it emphasized the importance of the Central Bank of Nigeria (CBN) strengthening its oversight of auditing compensation arrangements.

In another study, researchers delved into the connection between the quality of audits and the practice of managing earnings among deposit money banks listed in Nigeria. Their findings unveiled a noteworthy and positive link between joint audits and earnings management,

suggesting that the shift from single audits to joint audits amplified the practice of earnings management. This, in essence, indicated that an increase in audit specialization was linked to a reduction in earnings management. Additionally, the research unearthed a substantial and positive correlation between audit independence and earnings management, whereas audit tenure displayed an insignificant and negative relationship with earnings management. Consequently, the study recommended discouraging the prolongation of audit tenure as a measure to mitigate earnings management practices².

The extent of earnings manipulations was found to be positively but not statistically significantly correlated with total audit fees, non-audit fees, and joint audits; however, it was discovered that audit partner rotation and board independence were negatively but not statistically significantly correlated with the extent of earnings manipulations¹¹³. The research recommends that regulatory authorities promote the utilization of collaborative audits as a strategy to diminish the dominance of the Big 4 audit companies within the audit industry. This action would stimulate equitable competition and establish a conducive environment for smaller local audit firms to prosper.

The study also looks at how the audit committee affects how listed Nigerian reserve money institutions manage their profits. The 2008-created Discretionary Loan Loss Provision Model, was used to assess the effectiveness of earnings management¹⁴². The research employed a correlational research methodology, utilizing secondary data collected from 13 selected deposit money institutions listed on the Nigerian Stock Exchange during the period from 2008 to 2017. Data analysis was carried out using the Random Effects Model (REM). The study's findings indicated that the financial expertise and workload of the audit committee had a negative impact on profit management, whereas the tenure of the audit committee had a slightly adverse effect on profit management. On the other hand, audit committee meetings and committee members' ownership of shares had a minor positive influence on profit

management. In summary, the research suggests that the competence and engagement of the audit committee make a positive contribution to the quality of financial reporting in Nigerian deposit money institutions. It recommends, among other things, that the board should ensure that individuals with financial expertise are appointed to the audit committee as this enhances profit management in banks. Additionally, having a greater number of directors with diverse backgrounds on the committee can help reduce earnings management and improve bank performance.

A research investigation into the influence of past earnings manipulation on a company's propensity to commit financial statement fraud yielded noteworthy results. Firstly, it uncovered that firms engaged in fraudulent activities are more inclined to have practiced earnings manipulation in previous periods. Moreover, this prior earnings manipulation is linked to an increased probability of companies meeting or surpassing analyst forecasts or artificially inflating their revenue when engaging in financial statement fraud. To sum it up, the study also suggests that companies involved in financial statement fraud are more likely to achieve analyst forecast targets and artificially inflate their revenue numbers¹⁷⁷.

The relationship within Nigeria between corporate governance, audit quality, and particular characteristics of companies¹⁷⁸. This study offers valuable insights into corporate governance, audit quality, and firm-specific attributes within the Nigerian context, an emerging market. Logistic regression was utilized to investigate the research inquiries. The results indicate that having non-executive directors in key roles may improve the quality of audit procedures. Additionally, the research provides empirical support for the notion that a company's size and financial leverage are influential factors in determining audit quality, especially for companies listed on the Nigerian Stock Exchange.

A research study investigated the factors affecting audit quality in Nigeria ¹⁶⁰. The research aimed to investigate the factors affecting audit effectiveness in Nigeria, encompassing a sample of 430 participants representing diverse stakeholders in financial reporting and auditing. Additionally, secondary data were collected from the annual reports and financial records of 40 companies listed on the Nigerian Stock Exchange. Data analysis was performed using SPSS version 17, employing a variety of data analysis methods. The study's results unveiled several key findings, including the notable impact of holding multiple directorships on audit quality in Nigeria. Moreover, it was noted that offering non-audit services could potentially exert a substantial influence on the quality of audits in Nigeria.

This study investigated how audit quality influenced earnings management in Nigeria's listed consumer goods firms, employing discretionary accruals as a metric, over a thirteen-year timeframe from 2006 to 2018¹⁷⁹. The research employed an ex-post facto research approach, initially considering twenty-one publicly traded consumer products firms. Through a purposive sampling method, a subset of seventeen firms was carefully chosen. Data for the study were collected from the selected firms' annual financial statements, and the dataset was subjected to analysis using the panel-corrected standard error regression method. The outcomes revealed that factors such as audit firm size, audit tenure, and joint audits exerted a significant and positive impact on earnings management, while audit costs had a noteworthy negative effect. Consequently, the study offered various recommendations, emphasizing the importance of rigorous evaluation of qualifications, experience, and compensation when engaging external accountants, as higher audit costs were linked to reduced earnings management in Nigerian consumer goods companies.

Considering the persistent difficulties experienced by Nigerian deposit money banks, there has been growing apprehension regarding the adequacy of audits conducted in the Nigerian banking sector. Therefore, a study was undertaken to investigate the correlation between the

quality of audits and the practice of earnings management among deposit money banks listed in Nigeria¹¹³. The research utilized panel data analysis, employing both fixed and random effects models, to investigate potential relationships among the identified factors. Descriptive statistics, the Pearson correlation coefficient, and standard aggregated ordinary least squares (OLS) regression analysis were employed to explore these associations. The study selected six banks at random from a pool of fifteen deposit money institutions listed on the Nigerian Stock Exchange in 2016, resulting in a dataset of 60 observations. The findings revealed a significant positive correlation between combined audit and revenue management practices. As a result, the study concluded that bank managers often employ prolonged audit tenures as a strategy to influence auditor independence during audit assignments. Consequently, the research recommended avoiding extended audit tenures in order to maintain auditor independence.

Further support for the investigation of audit quality and earnings management, particularly in the context of external audits, is derived from Nigeria where research were done on 30 quoted non-financial companies for the years 2008 to 2018 ^{113, 180}. Utilizing the panel ordinary least square technique to assess the model outlined in the research, it was revealed that audit quality demonstrated statistically significant and mutually advantageous impacts in improving earnings management. As a suggestion, it is advocated that the relevant regulatory bodies and policymakers not only persist in but also reinforce the current practice of rotating the audit engagement partner and/or auditor after a defined period of continuous collaboration. This measure is intended to bolster their independence and curtail the length of client-auditor associations, consequently mitigating the potential risk of familiarity bias.

The experiment provides clear evidence of how the employment and independence of auditors effectively mitigate management's inclination to irrationally manipulate earnings¹⁴⁰. The sample population includes 57 listed businesses with a combined total of 342 firm years

between 2006 and 2011. With an adjusted R^2 value of 14.6 percent, these audit quality criteria considerably lower the frequency of revenue manipulation among enterprises in Nigeria.

A study was conducted to investigate how audit quality influenced earnings management in the Nigerian oil marketing sector. The research focused on 8 out of 10 listed oil marketing companies, spanning a ten-year period from 2004 to 2013. This study was prompted by the rising concerns about financial manipulations within the Nigerian oil industry¹⁸¹. The modified Jones model, a well-known strategy, is used in this study to forecast anomalous accruals. Measures of audit quality used in the model include audit firm size, auditor specialization, and tenure; control variables include client size and CFO. These elements work together to account for 14.3% of the variance in discretionary accruals. Notably, audit tenure is found to significantly impact the other two control variables negatively and to positively significantly correlate with them. The study's conclusions show that, for the oil marketing companies under investigation, the length of the auditor's employment significantly negatively affects discretionary accruals, although the size of the audit firm and the industry expertise of the auditor have very modest effects.

Over a six-year period, from 2009 to 2014, the audit quality and revenue management of traded oil advertising companies in Nigeria were evaluated¹²⁶. A correlation research methodology based on a positivist worldview was used in the investigation. Based on the availability of complete data, a sample of 9 out of the study's intended 10 oil and gas marketing businesses was employed. Regression analysis was used to collect secondary data from the annual financial records of the sampled companies. The findings revealed a positive correlation between earnings management and the size of the audit company, the size of the audit committee, the industry specialization of the auditor, and the importance of the

customer, but a negative correlation between earnings management and the longevity of the auditor.

The study investigated the impact of audit quality on alterations in earnings management among publicly listed companies in Nigeria, utilizing data extracted from the annual reports of 63 such companies. To explore the connection between the variables in question, they employed an audit quality and accrual-based earnings management model. The findings of their research revealed an inverse relationship between audit quality and accrual-based earnings management. This outcome implies that higher audit expenses per unit are linked to reduced earnings management practices within the sampled firms. These research findings could offer valuable insights for regulatory authorities in shaping policies and decisions concerning best practices within Nigerian publicly listed companies¹⁸².

In Nigeria, an evaluation of the outcomes related to the quality of audits and the management of revenues was undertaken. The study focused on a cohort of ten institutions spanning the period from 2006 to 2013¹⁸⁰. The OLS results reveal a significant correlation between audit expenditures and unexpected credit loss provisions, indicating that a higher reliance on auditors contributes to increased earnings management in Nigerian institutions. This finding is consistent with another study involving 139 researchers who investigated the relationship between audit quality and income manipulation in Nigeria, focusing on 18 institutions from 2005 to 2010. The research in question found a weak association between audit quality and earnings management. Similarly, a separate study conducted by 140 researchers, which examined the factors influencing audit quality in Nigerian public organizations and involved 11 colleges from 2010 to 2015, demonstrated that audit fees and the size of the audit firm have a significantly positive impact on audit quality.

In light of the audit's limitations in deterring fraudulent activities and substantial misrepresentations within the financial statements of banks, a research investigation was

undertaken to assess the impact of audit quality on the operational performance of chosen Nigerian banks. This study specifically scrutinized the influence of audit firm size on the return on assets of Nigerian banks, the ramifications of audit committee independence on return on equity, and the interplay between the audit committee and profit margin ⁴⁶. The research covered a total of 16 deposit money institutions that were publicly listed on the Nigerian Stock Exchange. Data for the study were collected from the financial statements of these institutions spanning the period from 2008 to 2017. The collected data were subjected to analysis using Statistical Package for Social Sciences (SPSS) Version 20, including regression analysis. The results revealed that both the independence of the audit committee and the size of the firms significantly impacted the return on equity of Nigerian banks listed on the stock exchange. Additionally, the study found that the audit committee's size had a notable influence on these banks' profit margins. In light of these findings, the study recommended various measures, including the engagement of audit firms with established track records for delivering high-quality audits. Consequently, the topic of audit quality continues to be a subject of ongoing discussion and consideration in the industry.

A research investigation centered on the use of accruals and performance indicators to study earnings manipulation within the insurance sector in Nigeria ¹⁸³. The study aimed to investigate the impact of audit quality on earnings management within these corporations. The research employed panel multiple regression analysis and the Hausman test to assess the data. The results revealed a significant influence of audit quality on the practices of managing earnings. Longer auditor tenures in financial institutions were associated with an increase in both accrual and performance manipulation. Additionally, financial firms audited by the Big 4 auditing companies exhibited lower levels of accrual and performance earnings manipulation, while those with a mix of executive and non-executive directors on the audit committee displayed higher levels of manipulation. The presence of more financial experts

on the audit committee was linked to an increase in accrual manipulation, whereas having more members with accounting backgrounds on the committee was linked to a decrease in performance manipulation. Furthermore, higher audit fees influenced decisions regarding accrual and performance earnings manipulation using accounting methods. In light of these findings, the study recommended implementing a maximum auditor tenure of five years in financial organizations, focusing on diversifying the audit committee with more members possessing accounting backgrounds, and regulating auditor fees in accordance with the financial company's size.

A research investigation in Nigeria, which explored the connection between audit quality and the hiring of auditors, employed the binary logit estimation method and discovered a modest adverse correlation between these two factors¹⁷⁷. Nevertheless, the research suggests that it is imperative for regulatory bodies like the Financial Reporting Council to thoroughly address the matter of audit tenure and its influence on audit quality in Nigeria, aligning with global best practices. Furthermore, future studies should encompass substantial factors that exert an impact on audit quality, including non-audit services.

A study conducted examined the influence of audit quality on the financial performance of listed companies in Nigeria by⁶⁷. Concerns regarding the reliability of financial reporting practices among Nigerian listed companies have arisen due to significant corporate failures on a global and local scale. In response, various professional and governmental organizations have advocated for reforms aimed at enhancing financial reporting transparency, subsequently improving performance and audit quality. Using a panel data method, this research leveraged data from 84 companies listed on the NSE, totaling 756 samples over a nine-year span from 2010 to 2018. Supplementary data were obtained from the financial statements of these listed firms and Thompson Reuters DataStream. The study employed multiple regression analysis to assess the model. The results indicated that audit fees

exhibited a small yet positive correlation with Return on Assets (ROA), suggesting that listed companies in Nigeria could enhance their financial performance by reducing auditor fees. Consistent with agency theory, a strong positive relationship was observed between auditor reputation and ROA, implying that increased auditing by Big 4 firms could lead to improved financial performance. Moreover, a highly significant positive association was identified between auditor independence and ROA. In conclusion, auditor independence had a more substantial impact on financial performance compared to the number of auditors. These findings provide valuable insights for the management and leadership of Nigerian listed companies, emphasizing the importance of ensuring auditors' impartiality and engaging audit firms known for their integrity and ethical standards. Additionally, these results can inform relevant officials and policymakers in their decision-making processes.

As per this research, conducting a financial statement audit plays a crucial role in mitigating information imbalances and ensuring the sustainability of a well-functioning market environment ¹⁸⁴. In this descriptive observational investigation, the research utilized ex-post facto and correlational research designs. The primary data sources included annual reports, financial statements, and comments from four publicly listed companies selected for the study. The collected data were organized into tables, and a multiple regression analysis was conducted to assess the data and examine the proposed hypotheses, utilizing SPSS Version 15.0. The study found that the size and independence of auditors significantly influenced the financial performance of cement companies listed in Nigeria. Notably, auditor independence had a more pronounced impact on financial performance compared to auditor quantity.

In a literature review conducted as part of a study, the impact of auditor independence on the quality of audits was examined and discussed ¹⁸⁵. This study conducts a comprehensive literature review to explore the interplay between audit quality and auditor independence. It adopts the ex post facto research methodology and draws upon secondary sources,

encompassing academic journals, textbooks, and online references, as data resources. The synthesis of existing literature underscores a notable correlation between auditor independence and audit quality. Specifically, the review identifies four factors that pose risks to auditor independence: client significance, non-audit services (NAS), audit tenure, and client affiliations with CPA firms. Nevertheless, owing to variations in research methodologies, sample sizes, data collection techniques, and analytical approaches, research outcomes diverge, with some studies reporting a positive association and others suggesting a contrary relationship. Importantly, it should be highlighted that the majority of research on auditor independence and audit quality has been conducted beyond the Nigerian context and frequently centers on specific risk elements.

A research study examined the relationship between auditor independence and the quality of audits¹⁸⁵. Many argue that audit quality and auditor independence are inherently linked since independent auditors are responsible for ensuring audit quality. This study employed an in-depth review of the literature surrounding audit quality and auditor independence to explore the impact of the former on the latter. The research utilized the ex post facto study methodology and relied on secondary sources, including academic journals, textbooks, and online materials, as its primary data references. The findings from this review uncovered a significant association between the impartiality of auditors and the quality of audits. Furthermore, the analysis identified four factors that pose potential threats to auditor independence: the importance of the client, non-audit services (NAS), the duration of the auditing relationship, and the client's affiliations with CPA firms.

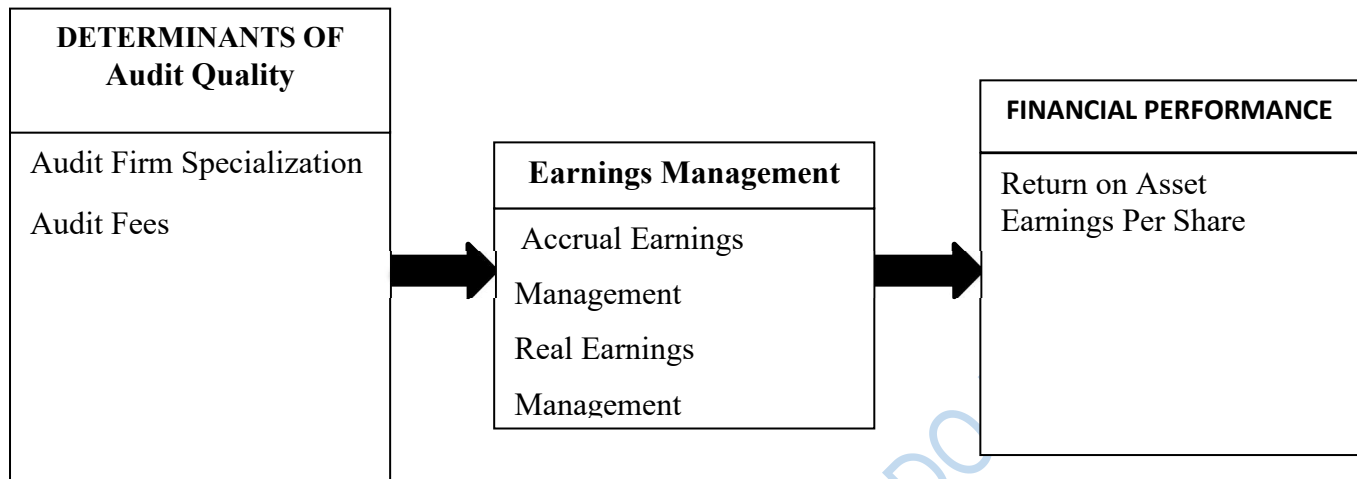
This research investigated how audit quality affected the financial performance of industrial companies listed in Nigeria during the period spanning from 2006 to 2016¹⁸⁶. The study specifically examined how the performance of listed manufacturing firms, as measured by return on assets (ROA), was influenced by factors such as auditor independence, the presence

of an audit committee, and audit fees. The research employed the ex-post facto research approach and selected a sample of 24 companies using a purposeful sampling technique from a pool of 80 registered industrial businesses in Nigeria. Secondary data were collected from the publicly available annual financial statements of these companies, and data analysis was carried out using the Ordinary Least Squares regression method. The study's results indicated, among other findings, a positive and statistically significant relationship between auditor independence and the financial performance of listed industrial firms. In summary, the research underscored the impact of audit quality attributes on the financial performance of manufacturing companies in Nigeria and recommended, among other strategies, that enhancing auditor independence through improved internal controls, ethical oversight, and the effective utilization of auditor expertise could contribute to the improved financial performance of industrial firms.

A research project explored the correlation between auditor impartiality and the standard of auditing in a set of Nigerian deposit money institutions⁶⁵. The research collected its findings from external data sources, specifically focusing on twenty named deposit money institutions in Nigeria. The study selected a sample size of seven institutions using the purposive sampling method. Data analysis employed descriptive statistics, correlation analysis, and ordinary least squares (OLS) regression. The study's results indicated a positive correlation among audit fees, audit firm rotation, and audit quality. Additionally, the findings revealed a negative correlation between the duration of the audit firm engagement and audit quality.

2.4 Conceptual Framework

Figure 1.1 A Schematic Diagram of Audit Quality, Earnings Management and Financial Performance of Nigerian Listed Deposit Money Banks.



2.5 Summary of Gap in the Literature

The literature on earnings management and audit quality in Nigeria reveals several notable gaps that require further exploration. First, there is a need for sector-specific analysis as existing studies primarily provide aggregate insights, and understanding variations across

industries is crucial. Additionally, longitudinal studies covering more extended periods can offer a comprehensive view of how earnings management practices evolve over time.

The literature review often lacks a deep dive into the potential differential effects of various aspects of audit quality. Investigating how factors like auditor independence, industry specialization, or tenure impact earnings management differently is essential. Regional and firm size variations within Nigeria also remain underexplored, and understanding how these factors influence earnings management and the role of audit quality is vital.

Comparative studies with other countries or regions can provide a broader perspective on the effectiveness of regulatory measures and corporate governance practices in mitigating earnings management. Moreover, research should delve into the practical implications of regulatory reforms in Nigeria to assess their impact on earnings management.

Further exploration of earnings management in the banking sector, given its importance in Nigeria, is essential. Investigating specific drivers of earnings management in banks and their implications for financial stability is crucial. Behavioral aspects of earnings management, including the motivations and decision-making processes of management, also merit investigation.

Qualitative research methods, such as interviews and surveys, can provide a deeper understanding of the context and motivations behind earnings management practices. Addressing these gaps in the literature will contribute to a more nuanced understanding of earnings management and audit quality in Nigeria, facilitating better-informed policy decisions and regulatory reforms.

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Chapter Three

Methodology

Research tools, data collection methodologies, data processing and analysis, research design, population, sample, and sampling methods were all covered in detail in this chapter. As technique is a cycle for gathering, organizing, and understanding information, decisions about procedure are often influenced by the idea of the examination problem. The study's methodology made reference to the plan and question that guided the investigation. A research method is a dependable combination of techniques that work well together and may fit to provide data and findings that reflect the research topic and serve the professional's objectives.

3.1 Research Design

This study used an expo-facto research approach to evaluate the association between audit quality and financial performance of Deposit Money Banks in Nigeria over a protracted period of time due to the time series structure of the data. In an expo-facto research design, the impact of an earlier independent variable on a later dependent variable was investigated. With the intention of analyzing how Earnings management and Audit quality affect financial success while using historical data to anticipate or predict future results, this research methodology was adopted.

3.2 Population of the Study, Sample Size and Sampling Technique

The study's sample consisted of the fourteen listed Deposit Money Banks on the Nigeria Stock Exchange Market that operated in Nigeria between 2009 and 2021. There were 14 listed deposit money banks in Nigeria at the time this study was being done. Fidelity Bank Plc, First City Monument Bank Plc, First Bank of Nigeria Plc, Guaranty Trust Bank Plc, Union Bank of Nigeria Plc, United Bank for Africa Plc, Zenith Bank Plc, Ecobank Plc,

Stanbic IBTC Bank Plc, Sterling Bank Plc, and Jaiz Bank Plc are some of the others in addition to Access Bank Plc.

With the exception of Jaiz Bank Plc. and Ecobank Plc., whose financial information was unavailable for the duration of the study's (2009-2022) study period, only 14 listed deposit money banks made up the study's population, so the sample size included all 14 listed deposit money banks that operated in Nigeria from 2009 to 2022. The sample technique used was census sampling. A census in research is an examination of each constituent, individual, or thing within a population. Comprehensive enumeration, which simply implies a full count, is another name for it.

3.3 Model Specification

In this section, the study's model was laid forth. The study was built around five very specific goals that were listed in the first chapter. Consequently, the following was the model for achieving each of the objectives:

Model for Objective One

In order to determine how accrual earnings management affects Nigerian deposit money banks' performance, the study's initial goal is to do just that. The size, age, and financial leverage of the company are only a few examples of firm-specific elements that have been shown in early literature to affect the performance of the firm. These factors served as the control variables when the model was created. In light of this, the following was given as the explicit form of the model for fulfilling the study's first goal:

$$\text{PERF} = f(\text{ACCEM}, \text{LEV}, \text{FIRMS}, \text{FAGE}) \dots\dots\dots (1)$$

Given that the return on asset and earnings per share were the two proxies for the company's performance, then:

$$PERF=(ROA, EPS)..... (2)$$

Incorporating (3.2) into (3.1) produces

$$ROA = f(ACCEM, LEV, FIRMS, FAGE)$$

(3.3)

$$EPS = f(ACCEM, LEV, FIRMS, FAGE) (4)$$

The relation in (3.3) and (3.4) were thus represented in linear panel econometric forms as

$$ROA_{it} = \lambda_0 + \lambda_1 ACCEM_{it} + \lambda_2 LEV_{it} + \lambda_3 FIRMS_{it} + \lambda_5 FAGE_{it} + \rho_i + \varepsilon_{it} (5)$$

$$EPS_{it} = \lambda_0 + \lambda_1 ACCEM_{it} + \lambda_2 LEV_{it} + \lambda_3 FIRMS_{it} + \lambda_5 FAGE_{it} + \rho_i + \varepsilon_{it} (6)$$

Where:

ROA_{it} = Return on asset of bank i at time t

EPS_{it} = Earnings per share of bank i at time t

$ACCEM_{it}$ = Accrual earnings management of bank i at time t

LEV_{it} = Leverage of bank i at time t

$FIRMS_{it}$ = Firm size of bank i at time t

$FAGE_{it}$ = Firm age of bank i at time t

ρ_i = unobservable time invariant firm specific effect

ε_{it} = white noise error term of bank i at time t

Model for Objective Two

Examining the effect of actual earnings management on the performance of Nigerian deposit money banks is the study's second goal. As a result, the model for fulfilling the study's second goal was given in explicit form as follows:

$$PERF=f(REM, LEV, FIRMS, FAGE) (7)$$

Since the firm performance was proxy with three indicators including the return on asset and earnings per share, then:

$$\text{PERF}=(\text{ROA}, \text{EPS}) \dots\dots\dots(8)$$

The model for the second objective was thus represented in linear panel econometric forms as:

$$\text{ROA}_{it} = \alpha_0 + \alpha_1\text{REM}_{it} + \alpha_2\text{LEV}_{it} + \alpha_3\text{FIRMS}_{it} + \alpha_4\text{FAGE}_{it} + \rho_i + \varepsilon_{it} \dots\dots\dots (9)$$

$$\text{EPS}_{it} = \alpha_0 + \alpha_1\text{REM}_{it} + \alpha_2\text{LEV}_{it} + \alpha_3\text{FIRMS}_{it} + \alpha_4\text{FAGE}_{it} + \rho_i + \varepsilon_{it} \dots\dots\dots (10)$$

Where:

ROA_{it} = Return on asset of bank i at time t

EPS_{it} = Earnings per share of bank i at time t

REM_{it} = Real earnings management of bank i at time t

LEV_{it} = Leverage of bank i at time t

FIRMS_{it} = Firm size of bank i at time t

FAGE_{it} = Firm age of bank i at time t

ρ_i = unobservable time invariant firm specific effect

ε_{it} = white noise error term of bank i at time t

Model for Objective Three

Examining the effect of audit quality on the performance of Nigerian Deposit Money Banks is the study's third goal. The explicit form of this approach for fulfilling the study's third goal was as follows:

$$\text{PERF}=f(\text{AQ}, \text{LEV}, \text{FIRMS}, \text{FAGE}) \dots\dots\dots (11)$$

Since the firm performance was proxy with three indicators including the return on asset, earnings per share and Tobin Q, then:

$$\text{PERF}=(\text{ROA}, \text{EPS}) \dots\dots\dots (11)$$

Audit quality was also measured mostly in literature using big 4, audit tenure and audit fees.

Then:

$$AQ = (AUDS, Audfee) \dots \dots \dots (12)$$

The model for the third objective was thus represented in linear panel econometric forms as:

$$ROA_{it} = \delta_0 + \delta_1 AUDS_{it} + \delta_3 Audfee_{it} + \delta_4 LEV_{it} + \delta_5 FIRMS_{it} + \delta_6 FAGE_{it} + \rho_i + \varepsilon_{it} \dots \dots \dots (13)$$

$$EPS_{it} = \delta_0 + \delta_1 AUDS_{it} + \delta_3 Audfee_{it} + \delta_4 LEV_{it} + \delta_5 FIRMS_{it} + \delta_6 FAGE_{it} + \rho_i + \varepsilon_{it} \dots \dots \dots (14)$$

Where:

ROA_{it} = Return on asset of bank i at time t

EPS_{it} = Earnings per share of bank i at time t

$AUDS_{it}$ = Whether bank i at time t engage specialized audit firm or otherwise

$Audfee_{it}$ = audit fee of firm i at time t

LEV_{it} = Leverage of bank i at time t

$FIRMS_{it}$ = Firm size of bank i at time t

$FAGE_{it}$ = Firm age of bank i at time t

ρ_i = unobservable time invariant firm specific effect

ε_{it} = white noise error term of bank i at time t

Model for Objective Four

Investigating the moderating role of audit quality in the link between accrual earnings management and business performance is the fourth research goal. In linear panel econometric form, the following is the model that was used to achieve the goal:

$$ROA_{it} = \beta_0 + \beta_1 ACCEM_{it} + \beta_2 AQ_{it} + \beta_3 AQ * ACCEM_{it} + \beta_4 LEV_{it} + \beta_5 FIRMS_{it} + \beta_6 FAGE_{it} + \rho_i + \varepsilon_{it} \dots \dots \dots (15)$$

$$EPS_{it} = \beta_0 + \beta_1 ACCEM_{it} + \beta_2 AQ_{it} + \beta_3 AQ * ACCEM_{it} + \beta_4 LEV_{it} + \beta_5 FIRMS_{it} + \beta_6 FAGE_{it} + \rho_i + \varepsilon_{it} \dots \dots \dots (16)$$

Where:

ROA_{it} = Return on asset of bank i at time t

EPS_{it} = Earnings per share of bank i at time t

AEM_{it} = Accrual earnings management of firm i at time t

AQ_{it} = Audit quality of firm i at time t

LEV_{it} = Leverage of bank i at time t

$FIRMS_{it}$ = Firm size of bank i at time t

$FAGE_{it}$ = Firm age of bank i at time t

ρ_i = unobservable time invariant firm specific effect

ε_{it} = white noise error term of bank i at time t

Model for Objective Five

The investigation of the audit quality's moderating impact on the association between actual earnings management and business performance is the study's fifth and final goal. The linear panel econometric model for reaching the goal was given as follows:

$$ROA_{it} = \varphi_0 + \varphi_1 REM_{it} + \varphi_2 AQ_{it} + \varphi_3 AQ * REM_{it} + \varphi_4 LEV_{it} + \varphi_5 FIRMS_{it} + \varphi_6 FAGE_{it} + \rho_i + \varepsilon_{it} \dots \dots \dots (18)$$

$$EPS_{it} = \varphi_0 + \varphi_1 REM_{it} + \varphi_2 AQ_{it} + \varphi_3 AQ * REM_{it} + \varphi_4 LEV_{it} + \varphi_5 FIRMS_{it} + \varphi_6 FAGE_{it} + \rho_i + \varepsilon_{it} \dots \dots \dots (19)$$

Where:

ROA_{it} = Return on asset of bank i at time t

EPS_{it} = Earnings per share of bank i at time t

REM_{it} = Real earnings management of firm i at time t

AQ_{it} = Audit quality of firm i at time t

LEV_{it} = Leverage of bank i at time t

$FIRMS_{it}$ = Firm size of bank i at time t

$FAGE_{it}$ = Firm age of bank i at time t

ρ_i = unobservable time invariant firm specific effect

ε_{it} = white noise error term of bank i at time t

3.6 Measurement of Variables

The dependent variable, independent variable, and control variable were the three categories into which the variables employed in achieving the study's objectives were divided.

Dependent Variable

The firm performance served as the dependent variable for this study. Two metrics, return on asset (ROA) and earnings per share (EPS), were used to measure this. Table 3.2 provided a brief description of each of these factors.

Independent Variables

Earnings management and audit quality were two of the primary independent factors for this study. In this study, audit firm specialization and audit fees served as indicators of audit quality. A binary variable was used to measure audit specialization, with a firm receiving a value of 1 if it was audited by a specialist auditor and a value of 0 if it was audited by a non-specialized audit firm. An audit company with at least a 30% market share of the audit sector is considered a specialized auditor. On the other hand, audit fees are calculated as a log of all fees paid to the audit firm.

Consistent with previous literature, the study proxy earnings management with accrual and real earnings management ^{1,2,3}.

Accrual Earnings Management: To determine the degree of accrual-based earnings management, the study updated Jones model (1991).

Total accruals were defined as the difference between Net Income (earnings before taxation and extraordinary item) and cash flow from operating activities (OCF)

$$TACC_{it} = NI_{it} - OCF_{it} \dots\dots\dots (26)$$

$$TACC_{it}/A_{it-1} = \alpha_t (1/A_{it-1}) + \alpha_{1i} (\Delta REV - \Delta REC)/A_{it-1} + \alpha_{2i} [PPE_i/A_{it-1}] + \mu_{it} \dots\dots\dots (27)$$

$$DA = [(TACC_{it}/A_{it-1})] - [\alpha_t [1/A_{it-1}] + \alpha_{1i} [(\Delta REV - \Delta REC)/A_{it-1}] + \alpha_{2i} [PPE_{it}/A_{it-1}]] \dots\dots\dots (28)$$

Where;

DA is Discretionary accruals

TACC_{it} is the total accruals (NI – OCF),

ΔREV is change in revenue,

Δ REC is change in receivables,

PPE_{it} is property, plant and equipment,

and μ_{it} is the residual.

A_{it-1} – total assets in prior years;

α_t, α_{1i}, α_{2i} are estimated coefficients

The discretionary accrual is represented by the term μ_{it} in the equations above and the absolute value of this discretionary accrual is the measure of accrual based earnings management.

Real activity-based earnings management (REM): Three factors were seen as indicators of the degree of real earnings management: aberrant amounts of cash flow from operating activities, discretionary spending, and manufacturing costs ^{35, 34, 203}. The degree of real earnings management was assessed in this study using a measure of discretionary spending,

and the level of abnormal discretionary spending was estimated using the methodology described below:

$$Discexp_{it} / TA_{it-1} = \alpha_1 \left(1 / TA_{it-1} \right) + \alpha_2 \left(S_{it} / TA_{it-1} \right) + \varepsilon_{it} \dots \dots \dots (29)$$

Where:

$Discexp_{it}$ = discretionary expenses as sum of R&D, SG&A and advertising expenses for firm i , period t ,

TA_{it-1} = total assets at the end for firm i , period $t-1$

S_{it-1} = sales revenue for firm i , period $t-1$

ε_{it} = Residual of the model

Control Variables

Three (3) control variables—business size, firm age, and financial leverage—were taken into account for this study. The size of the company was calculated using the natural log of its total assets, its age was calculated as the number of years since it first went public, and its financial leverage was calculated as the ratio of its total debt to its total equity. Table 3.2 includes a brief explanation of how each variable was measured.

Table 3.1: Definition and Variables Measurement

Variables	Abbreviations	Variable Type	Measurement	Sources
Return on Asset	ROA	Dependent	The ratio of profit after tax to the total asset of the bank	⁴
Earnings Per Share	EPS	Dependent	The ratio of profit after tax to the total outstanding share of the bank	⁵

Accrual Earnings Management	ACCEM	Independent	Absolute Discretionary Accrual (DAC) of the Modified Jones model	⁶
Real Earnings Management	REM	Independent	Discretionary expenses	⁶
Audit Firm Specialization	AUDS	Independent	A binary variable that gives a firm a value of 1 if a specialist auditor audits it and a value of 0 otherwise. An audit company having at least a 10% market share of the audit sector is considered a specialized auditor.	⁷
Audit Fees	AUDF	Independent	Log of Audit fees paid to the audit firm	⁵
Firm age	FAGE	Control	Years since a company first listed on a stock exchange.	³
Firm Size	FIRMS	Control	Log of Total Assets	
Financial Leverage	LEV	Control	Equity as a percentage of total equity for the company	

Source: Author's compilation (2022)

3.7 Method of Data Analysis

To answer the study's research questions and achieve its goals, descriptive and inferential statistics were employed to examine the data gathered on all variables. In the study,

descriptive statistics such as mean, maximum, and lowest values as well as measures of variability such as standard deviation were used. Fixed panel regression, a technique for inferential statistics, was used to compute the three different panel regression methods: pooled Ordinary Least Square (POLS), fixed effect panel regression, and random effect panel regression. The study also used panel feasible general least square regression, which was consistent with serial correlation, heteroscedasticity, and endogeneity as well as endogeneity. The results of the diagnostic and specification tests were used to determine which of the four techniques would serve as the baseline. Both the Hausman specification test and the Chow test for firm effect were used in the study. The null hypothesis of no firm specific impact served as the foundation for the Chow test, and the failure of the null hypothesis means that pooled OLS would not generate consistent estimates. The null hypothesis for the Hausman test was that the coefficients were not systematic, and rejection of the null hypothesis suggests that the firm effect was more beneficial.

The study also performed diagnostic tests to confirm that the classical linear regression assumptions were not broken, including tests for multicollinearity using variance inflation factors, heteroskedasticity using the Breusch-Pagan test, serial correlation using the Wooldridge test for serial correlation panel data, and cross sectional independence using the Pesaran test.

Endnotes

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Chapter Four

Discussion of Findings

4.1 Introduction

In this chapter, the focus is on analysing the panel data employed in the study and discussing the results obtained. The chapter is structured into several sections, starting with a descriptive analysis. It then proceeds to examine the regression outcomes, including the presentation and discussion of diagnostic test results and the findings from the panel regressions. The subsequent section involves the validation and testing of hypotheses. Finally, the chapter concludes with a discussion of the results. Each of these sections is detailed in the explanations provided below:

4.2 Exploratory Examination

This part of the research showcases the outcomes derived from the exploratory examination of the variables employed in this study. These encompass the calculation of means and a correlation analysis of the variables, serving as preliminary analyses.

The summary statistics, as displayed in Table 4.2.1, illustrate that the average EPS for Nigerian listed Money Deposit Banks throughout the study is 1.1993, accompanied by a standard deviation of 14.1735. This indicates a substantial degree of variability in the earnings per share of these banks. This suggests that Money Deposit Banks in Nigeria exhibit dissimilar earnings per share. Furthermore, the computed average return on assets (ROA) for the sampled DMBs stands at 2.3937, with a range spanning from -24.2237 to 100. The associated standard deviation of 11.7036 underscores a substantial degree of variation in the ROA among Nigerian listed Money Deposit Banks. In alignment with the EPS findings, these results indicate that financial performance among banks in Nigeria displays significant variability.

The findings also demonstrate that the average audit quality of the sampled Money Deposit Banks stands at 0.6275, indicating that approximately 62.8 percent of the observations underwent auditing by specialized audit firms. This implies that these Nigerian banks tend to engage specialized audit firms to a significant extent. Furthermore, the study reveals an average audit fee of 19.2182 for the sampled Money Deposit Banks, with a relatively low standard deviation of 0.7732. This suggests that there is limited variability in the audit fees paid by the listed Money Deposit Banks in Nigeria to their auditing firms. The calculated mean for accrual earnings management among the examined firms is determined to be 0.0571, featuring a standard deviation of 0.0838, which surpasses the average value. Consequently, this signifies substantial diversity in the absolute discretionary accruals of the banks in the sample. Additionally, the estimated mean for real earnings management stands at 0.0162, accompanied by a standard deviation of 0.0185. This observation implies that Money Deposit

Banks in Nigeria tend to employ accrual earnings management to a greater extent than real earnings management practices.

Similarly, the mean financial leverage of the listed deposit money banks in the sample registers at 7.8266, accompanied by a standard deviation of 16.6914, indicating substantial variability in the financial leverage among Nigeria's Money Deposit Banks. Conversely, the calculated mean firm size for the study is 27.7878, with a corresponding standard deviation of 1.1193, suggesting limited variation in the size of the listed Money Deposit Banks in Nigeria. Consequently, it can be inferred that the listed Money Deposit Banks in Nigeria exhibit a nearly uniform size, which can be attributed to the country's banking sector consolidation that necessitates a minimum capital base. The calculated mean age for Nigerian listed Money Deposit Banks stands at 24.6668 years, with a standard deviation, minimum, and maximum age of 14.5862, 3, and 50 years, respectively.

Table 4.2.1: Statistical Overview of Variables

Variable	Max	Min	Mean	Std.Dev.	Obs
LEV	191.21	-9.6418	7.8266	16.6914	156
FS	29.7923	21.5884	27.7878	1.1193	156
Age	50	3	24.6668	14.5862	156
REM	0.2018	0	0.0162	0.0185	156
ACCEM	0.6653	0	0.0571	0.0838	156
Audit fee	20.889	17.968	19.218	0.7732	156
AUDQ	1	0	0.6275	0.4853	156
EPS	39	-127.62	1.1994	14.1725	156
ROA	100	-24.2237	2.3937	11.7036	156

The correlation values between the variables are presented in Table 4.2.2. In this correlation matrix, an estimated correlation coefficient of 0.1412 between Return on Asset and Earning per Share reveals a positive relationship. This implies that there is a positive association between EPS and the return on assets of the sampled listed Money Deposit Banks in Nigeria, indicating that higher returns on assets tend to be linked with higher Earning per Share. The correlation coefficient of 0.0676 between EPS and audit specialization demonstrates a positive relationship, indicating that the engagement of specialized audit firms by Nigerian Money Deposit Banks is linked to higher Earnings Per Share (EPS). Similarly, the descriptive findings reveal that audit specialization is positively associated with the Return on Assets (ROA) of Nigerian Money Deposit Banks, as evidenced by an estimated correlation coefficient of 0.1573. Moreover, the calculated correlation coefficient of 0.1418 indicates a positive association between audit fees and EPS. Similarly, the correlation coefficient of 0.0224 for ROA suggests a positive relationship between audit fees and the return on assets of Nigerian listed Money Deposit Banks. The outcomes also showed a negative link between EPS and ROA and accrual earnings management, with estimated correlation coefficients of -0.0087 and -0.0584, respectively. Real earnings management is also favorably correlated with the EPS and ROA, as shown by the respective correlation coefficients of 0.0112 and 0.4552, suggesting that it improves the performance of the sampled banks.

Furthermore, the estimated correlation coefficient of -0.0983 within the table indicates an inverse relationship between the age of the banks and EPS, while the age of the banks exhibits a positive association with ROA, as denoted by an estimated correlation coefficient of 0.0458.

Additionally, the correlation coefficient of 0.1664 between EPS and firm size indicates a

positive connection, while conversely, firm size is inversely related to ROA, with a corresponding correlation coefficient of -0.3772. This suggests that smaller banks tend to have higher ROA, while larger banks tend to have higher EPS.

Moreover, the findings unveil that financial leverage is positively correlated with the EPS of the sampled banks, signified by an estimated correlation coefficient of 0.0175. However, it is negatively associated with ROA, with a corresponding correlation coefficient of -0.018.

Table 4.2.2: Computed Correlation Matrix

Variables	1	2	3	4	5	6	7	8	9
(1) LEV	0.0184	-0.0862	-0.1776	-0.0321	0.0071	-0.0087	0.0041	-0.0715	1
(2) FS	0.1664	-0.3765	0.3992	0.7825	-0.1468	-0.5132	0.0872		1
(3) Age	-0.0976	0.0458	0.0328	0.0793	0.0224	0.2651		1	
(4) REM	0.0112	0.4552	-0.1211	-0.2114	0.0025		1		
(5) ACCEM	-0.0087	-0.0584	-0.1842	-0.1823		1			
(6) Audfee	0.1418	0.0224	0.4947		1				
(7) AUDQ	0.0676	0.1573		1					
(8) ROE	0.1412		1						
(1) EPS		1							

Source: Author's Computation, 2022

Regarding the interconnections among the explanatory variables, the findings displayed in Table 4.2.2 indicate that these variables are not strongly interrelated. The highest estimated correlation coefficient observed among the variables is 0.4947, specifically between audit fees and audit firm specialization. Importantly, this value falls below the threshold of 0.7825 recommended by Kennedy (2008) as indicative of multicollinearity. Consequently, the relatively modest correlations among the study's explanatory variables suggest that the

likelihood of multicollinearity issues arising is low.

4.3 Analysis and Interpretation of Regression Findings

In this section, the study's results concerning the five hypotheses are presented. This section is divided into subsections, each addressing specific Research questions.

4.3.1 Findings Regarding the Influence of Accrual Earnings Management on the Performance of Listed Money Deposit Banks (Research Question One)

This subsection encompasses the exposition and examination of results related to the study's second Research question, which aims to assess the influence of accrual earnings management on the performance of listed Deposit Money Banks in Nigeria. To validate the results concerning this Research question, specific diagnostic tests are conducted, guiding the selection of the most robust estimation technique to achieve this Research question.

Diagnostic Results

The findings from the diagnostic tests are now presented. The basic homoscedasticity assumption of linear regression is tested using the Breusch-Pagan test for heteroscedasticity. Additionally, the Wooldridge test was used in the study to look for first-order serial correlation, and Pesaran's cross-sectional independence test was conducted to confirm that the assumption of cross-sectional independence is not compromised.

The outcomes from the Breusch-Pagan test for heteroscedasticity, as displayed in Table 4.3.1, demonstrate an estimated Chi-square value of 771.741, accompanied by a p-value of 0.000. These results lead to the rejection of the null hypothesis of no heteroscedasticity at a 1 percent significance level. Therefore, the dataset employed in this study exhibits evidence of heteroscedasticity. The results of the Wooldridge test for autocorrelation are displayed in Table 4.3.1, showing an F-value of 1.8476 and a p-value of 0.2012. These outcomes indicate that the null hypothesis of no serial correlation is not rejected at a 5 percent significance level. Therefore, according to the Wooldridge test results, there is no evidence supporting the

presence of serial correlation for model 2 in this study. Moreover, the outcomes of the Pesaran test for cross-sectional independence are succinctly presented in Table 4.3.1, revealing a statistical value of 5.2556 and a p-value of 0.000. These results lead to the rejection of the null hypothesis of cross-sectional independence at a 5 percent significance level. Consequently, the Pesaran's test results imply that the model exhibits evidence of cross-sectional dependence.

In the last part of Table 4.3.2, the outcomes of the specification tests carried out for model 1 in the study are displayed. These tests included the Chow F-test to evaluate firm effects and the Hausman test to examine non-systematic variations in coefficients. The results reveal that the Chow F-test produced an F-value of 26.371, accompanied by a p-value of 0.000, leading to the rejection of the null hypothesis indicating no firm effects. This implies that employing POLS may not produce reliable and consistent results.

Likewise, the outcomes of the Hausman test showed a chi-square value of 61.973 and a p-value of 0.000, leading to the rejection of the null hypothesis related to non-systematic differences in coefficients. This suggests that the fixed effect panel regression model demonstrates superior performance compared to the random effect panel regression model.

Table 4.3.1: Summarized Diagnostic Test Results for Model 2

Wald Test

Breusch-Pagan

Null Hypothesis	P Value	Statistics	Remarks
Homoscedasticity in Panel	0	771.741	Presence of Heteroscedasticity

Wooldridge Test

Null Hypothesis	P Value	Statistics	Remarks
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No first order serial correlation	0.2012	1.8476	No first order serial correlation
--	--------	--------	-----------------------------------

Pesaran test

Null Hypothesis	P Value	Statistics	Remarks
No cross -sectional dependence	0	5.2557	Presence of Cross-sectional dependence

Source: Author's Computation, 2022

The diagnostic tests results outlined above indicate that model 1 in the study violates the classical linear regression assumptions of homoscedasticity, lack of serial correlation, and cross-sectional independence, affecting the model's variables. While the specification test results suggest a preference for panel fixed effect regression, the presence of cross-sectional dependence presents a limitation, as fixed effects alone cannot address the endogeneity issue. Consequently,

an alternative panel regression technique is required. In this study, the feasible generalized least square panel regression method is chosen due to its capacity to handle endogeneity issues and violations of the heteroscedasticity and serial correlation assumptions.

Findings from Panel Regression Analysis for Model 1 (Effect of Accrual Earnings Management on Banking Performance)

Table 4.3.2: Results from the Panel Regression Analysis for Model One (DEP = ROA)

	1	2	3	4
VARIABLES	PFGLS	RE	FE	POLS

Constant	121.341	246.622	365.311	121.334
	-1.86E-08	0	0	-1.35E-07
LEV	-0.0798	-0.0238	0.00191	-0.0798
	-0.118	-0.566	-0.953	-0.127
Age	0.0681	0.431	1.856	0.0681
	-0.245	-0.000366	0	-0.255
FS	-4.283	-9.158	-14.71	-4.283
	-3.14E-08	0	0	-2.06E-07
ACCEM	-16.615	-2.094	2.266	-16.62
	-0.104	-0.818	-0.755	-0.112
Number of fid	12	12	12	12
F for u _i =0			26.371	
P value of F			0	
R-squared			0.682	0.175
Hausman Chi			61.973	
Hausman P Val			0	

pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation

2022

The findings in Table 4.3.2 are derived through various panel regression approaches, encompassing pooled OLS, fixed effect, random effect, and feasible generalized least square

panel regression techniques. Column 1 displays the outcomes obtained through pooled OLS, while column 4 and 3 respectively present the results acquired via fixed effect and random effect approaches. Column 1 in Table 4.3.2 displays the outcomes generated by the panel feasible generalized least square technique. As previously mentioned, since the study identified the presence of an endogeneity issue in model 2, Research question 1 of the study is assessed using the feasible generalized least square method, specifically presented in this column.

Examining the outcomes in column 1, the estimated coefficient of -16.615 suggests that accrual earnings management exerts a negative impact on the return on assets of listed deposit money banks in Nigeria. This implies that heightened earnings management corresponds to diminished firm performance, as evidenced by a lower ROA. Nonetheless, the associated p-value of 0.104 indicates that the adverse effect of accrual earnings management on the return on assets of Nigerian listed Money Deposit Banks lacks statistical significance at the 5 or 10 percent levels ($0.104 > 0.10$). Consequently, the study concludes that accrual earnings management does not have a meaningful impact on the return on assets of Nigerian listed Money Deposit Banks.

Regarding the control variables within Research question 1, the findings reveal that the firm's age yields a positive coefficient of 0.0681, while the associated p-value of 0.245 indicates that the influence of age on ROA lacks statistical significance. This implies that the age of the sampled Deposit Money Banks in Nigeria does not significantly impact their ROA. The results indicate that the estimated coefficient and p-value of -4.283 and 0.0000, respectively, reveal that the firm's size has a negative and statistically significant impact on return on assets (ROA) at a 5 percent significance level ($0.000 < 0.05$). This suggests that as the size of the firms increases, the performance of the banks, as measured by their ROA, tends to decrease. This implies that these banks may not fully utilize economies of scale in

their expansion efforts.

Furthermore, the findings indicate that financial leverage exerts a negative but non-significant impact on ROA for Nigerian listed Money Deposit Banks, as evidenced by the estimated coefficient of -0.0798 and a p-value of 0.118. This implies that the use of debt does not significantly influence the ROA of Nigerian Money Deposit Banks.

The results for Research question Two, which uses earnings per share (EPS) as a proxy for firm performance, are summarized in Table 4."

Table 4.3.3: Panel Regression Findings for Research Question One (Dependent Variable = EPS)

	1	2	3	4
VARIABLES	PFGLS	RE	FE	POLS
Constant	-60.07	-60.07	-92.70	-60.07
	-0.0328	-0.0358	-0.052	-0.0374
LEV	0.0267	0.0267	-0.0117	0.0267
	-0.689	-0.694	-0.874	-0.695
FS	2.289	2.289	3.666	2.289
	-0.0235	-0.0258	-0.0604	-0.0273
Age	-0.111	-0.111	-0.319	-0.111
	-0.146	-0.153	-0.449	-0.155
ACCEM	3.379	3.379	-0.089	3.379
	-0.8	-0.804	-0.996	-0.804
R-squared			0.29	0.42
Number of fid	12	12	12	12

F for $u_i=0$	0.457
Hausman Chi	2.24
Hausman P Val	0.6915

pval in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author's Computation

2022

In column 4 of the table, the panel feasible generalized least square results indicate a positive, yet statistically non-significant effect of accrual earnings management on the earnings per share (EPS) of listed Deposit Money Banks in Nigeria, with an estimated coefficient of 3.379 and a p-value of 0.800. This implies that the findings concerning the impact The impact of accrual earnings management on the performance of the sampled banks, as indicated by the lack of significant influence on real earnings management, remains consistent when both ROA and EPS are employed as proxies for bank performance.

4.3.4 Findings Regarding the Influence of Real Earnings Management on the Performance of Listed Deposit Money Banks (Research Question Two)

This subsection offers both the findings and their analysis regarding the study's second Research question, which explores the impact of real earnings management on the performance of listed Deposit Money Banks in Nigeria. Additionally, several diagnostic tests were conducted to corroborate the findings obtained for the first Research question of the study. The results of these diagnostic tests are expected to provide guidance in selecting the most reliable estimation technique for accomplishing this Research question.

Diagnostic Results

The diagnostic tests' outcomes encompass the Breusch-Pagan test for heteroscedasticity,

which assesses the violation of the classical linear regression assumption of homoscedasticity. Additionally, the study employed the Wooldridge test to identify first-order serial correlation and conducted Pesaran's cross-sectional dependence test to validate the assumption of cross-sectional independence.

The results from the Breusch-Pagan test for heteroscedasticity are presented in Table 4.6. The findings reveal an estimated Chi-square value of 352.20 with a p-value of 0.000. These results lead to the rejection of the null hypothesis of no heteroscedasticity at a 1 percent significance level. Consequently, it is evident that the data used for model 2 in the study exhibits heteroscedasticity.

Moreover, the outcomes of the Wooldridge test for autocorrelation, as shown in Table 4.4, reveal an F-value of 59.26 with a p-value of 0.000, leading to the rejection of the null hypothesis of no serial correlation at a 1 percent level of significance. Consequently, the Wooldridge test results affirm the presence of serial correlation in model 2 of the study.

Additionally, the results from Pesaran's test for cross-sectional independence, outlined in Table 4.4, show a statistic value of -0.057 and a p-value of 0.9542. These findings indicate that the null hypothesis of cross-sectional independence cannot be rejected at any standard significance level. Thus, the results from Pesaran's test imply that the model demonstrates cross-sectional independence.

The outcomes of the specification tests for model 2 are displayed in the bottom part of Table 4.5. These results indicate an F-value of 23.04 with a p-value of 0.000, leading to the rejection of the null hypothesis suggesting no firm effect. This indicates that employing POLS may not produce consistent results.

Likewise, the results from the Hausman test reveal a chi-square value of 70.73 and a p-value of 0.000, leading to the rejection of the null hypothesis concerning non-systematic differences in coefficients. This suggests that the fixed effect panel regression model performs better than

the random effect panel regression model.

Table 4.4: Concise Overview of Diagnostic Test Outcomes for Model 1

Wald Test

Breusch-Pagan Test

Null Hypothesis	Statistics	Remarks	P Value
No cross-sectional dependence	5.226	Presence of Cross-sectional dependence	0

Null Hypothesis	Statistics	Remarks	P Value
No first order serial correlation	59.261	Presence of first order serial correlation	0

Pesaran test

Null Hypothesis	Statistics	Remarks	P Value
Homoscedasticity in Panel	352.2	Presence of Heteroscedasticity	0

Wooldridge Test

Source: Author's Computation, 2022

The diagnostic tests results, as shown in Table 4.5, indicate violations of the classical linear regression assumptions, including homoscedasticity, absence of serial correlation, and cross-sectional independence or endogeneity in this model. However, the presence of cross-sectional dependence indicates the necessity of employing a method capable of addressing endogeneity issues. Therefore, this study successfully accomplished its first Research

question by utilizing the feasible generalized least square panel regression technique. This method not only addresses endogeneity but also tackles problems related to serial correlation and heteroscedasticity.

Panel Regression Results for Model 2: Influence of Real Earnings Management on Bank Performance.

The outcomes related to the first Research question of the study are condensed in Table 4.5 through diverse static panel regression methods. Column 1 displays the results derived from pooled OLS, column 2 exhibits those obtained from fixed effect panel regression, and column 3 showcases the outcomes from random effect panel regression.

The outcomes acquired through feasible generalized least squares, addressing the endogeneity issue, are depicted in column 4 of the table. Considering the identified endogeneity problem, the interpretation of the study's first Research question relies on the results from feasible generalized least squares presented in column 4.

Table 4.5: Computed Panel Regression Outcomes for Model Two (Dependent Variable = ROA)

	4	3	2	1
VARIABLES	POLS	FE	RE	PFGLS
REM	218.1	-7.475	140.1	218.1
	-6.91E-05	-0.841	-0.00268	-3.18E-05
Age	-0.0261	1.873	0.132	-0.0261
	-0.67	0	-0.174	-0.664
FS	-2.035	-14.84	-6.024	-2.035
	-0.025	0	-3.56E-10	-0.0213
LEV	-0.0672	0.00186	-0.0314	-0.0672

	-0.179	-0.955	-0.47	-0.17
Constant	56.68	368.7	164.6	56.68
	-0.0255	0	0	-0.0218
R-squared	0.245	0.682		
F for $u_i=0$		23.04		
Number of fid	12	12	12	12
Hausman Chi		70.73		
P value of F		0		
Hausman P val		0		

pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation

2022

Analyzing the outcomes in column 1 of Table 4.5, it is evident that real earnings management, with an estimated coefficient of 218.1 and a p-value of 0.000, has a significant positive impact at the 1 percent level ($0.000 < 0.01$) on the return on assets of the sampled Deposit Money Banks. This implies that increased real earnings management among Nigerian Deposit Money Banks correlates with enhanced performance in terms of return on assets.

Regarding the control variables of Research question 2, the results demonstrate that the firm's age has a negligible negative impact on the return on assets (ROA) with an estimated coefficient of -0.0261 and a corresponding p-value of 0.664, indicating that the influence of age on ROA is not statistically significant. This suggests that the age of the sampled Deposit

Money Banks in Nigeria does not significantly affect their ROA. On the other hand, the estimated coefficient of -2.035 and the p-value of 0.0213 in the results reveal that the firm's size has a negative impact on ROA, which is significant at the 5 percent level ($0.0213 < 0.05$). Consequently, this indicates that as the size of the banks increases, their performance diminishes, implying that these banks do not capitalize on economies of scale during their expansion. Furthermore, financial leverage was observed to have a negative impact on the return on assets (ROA) of Nigerian listed Deposit Money Banks, although the impact was not statistically significant. This conclusion is drawn from the estimated coefficient of -0.0672 and a corresponding p-value of 0.170, suggesting that the use of debt does not significantly influence the performance of Nigerian Deposit Money Banks.

The results obtained when earnings per share is used as measured of performance are presented in Table 4.6

**Table 4.6: Computed Panel Regression Outcomes for Research question Two
(Dep=EPS)**

	1	2	3	4
VARIABLES	PFGLS	RE	FE	POLS
Constant	-99.52	-99.52	-183.1	-99.52
	-0.00274	-0.00321	-0.00225	-0.00372
LEV	0.0352	0.0352	-0.0064	0.0352
	-0.593	-0.599	-0.929	-0.6
FS	3.683	3.683	7.217	3.683
	-0.00194	-0.0023	-0.00281	-0.00271
Age	-0.174	-0.174	-0.786	-0.174
	-0.0318	-0.0347	-0.0847	-0.0363

REM	151.7	151.7	203.6	151.7
	-0.0314	-0.0343	-0.014	-0.0359
Number of fid	12	12	12	12
R-squared			0.7	0.69
Observations	156	156	156	156
Hausman Chi			4.31	
F for $u_i=0$			0.648	
Hausman P val			0.3655	

pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation

2022

Furthermore, the findings from column 4 of the panel feasible generalized least square analysis demonstrate a noteworthy and Real earnings management demonstrates a statistically significant positive influence on the earnings per share of Money Deposit Banks listed in Nigeria, Marked by an estimated coefficient of 151.7 and a p-value of 0.0314, this signifies the robustness of the findings related to the impact of real earnings management on the performance of the sampled banks, holding true for both ROA and EPS proxies for bank performance.

4.2.3 Findings Regarding the Influence of Audit Quality on the Performance of Listed Money Deposit Banks (Research question Three)

This subsection presents and interprets the results pertaining to the study's third Research question, which explores the influence of audit quality on the firm performance of Nigerian listed Deposit Money Banks. Additionally, several diagnostic tests were conducted to validate the results obtained for the first Research question of the study. The results of these diagnostic tests are crucial in determining the most consistent estimation technique to fulfill the Research question.

Results of Diagnostic Analyses

Presented here are the outcomes of the Breusch-Pagan test, utilized to assess whether the classical linear regression assumption of homoscedasticity is upheld. Additionally, this study performed the Wooldridge test to investigate the potential existence of first-order serial correlation, along with Pesaran's cross-sectional dependence test to evaluate the assumption of cross-sectional independence.

The outcomes of the Breusch-Pagan test for heteroscedasticity are displayed in Table 4.6, showing an estimated Chi-square value of 371.12 with a p-value of 0.000. These results indicate the rejection of the null hypothesis of no heteroscedasticity at the 1 percent significance level. Consequently, the data utilized in this study exhibit heteroscedasticity. The Wooldridge test results for autocorrelation, presented in Table 4.5, show an F-value of 1.439 and a p-value of 0.2555, indicating the rejection of the null hypothesis of no serial correlation at the 1% significance level. Hence, The outcomes of the Wooldridge test confirm the presence of serial correlation in model 1 of the study. Additionally, the results from Pesaran's test for cross-sectional independence, presented in Table 4.3, show a statistic value of 4.72 and a p-value of 0.0000, indicating that the null hypothesis of cross-sectional independence cannot be rejected at any conventional level. Therefore, the Pesaran's test results suggest that the model exhibits cross sectional independence.

The findings from the specification tests for model 3 are displayed in the bottom section of

Table 4.10. The results show an F-value of 13.58 with a p-value of 0.000, leading to the rejection of the null hypothesis indicating no firm effect. This suggests that employing POLS may not yield consistent results. Similarly, the outcomes of the Hausman test, featuring a chi-square value of 51.25 and a p-value of 0.000, reject the null hypothesis of non-systematic differences in coefficients. This implies that the fixed effect panel regression outperforms the random effect model.

FRAMEWORK FOR PANEL REGRESSION.

Wald Test

Breusch-Pagan Test

Null Hypothesis	P Value	Remarks	Statistics
No cross-sectional dependence	0	Presence of Cross-sectional dependence	4.72

Null Hypothesis	P Value	Remarks	Statistics
No first order serial correlation	0.2555	Presence of first order serial correlation	1.439

Pesaran test

Null Hypothesis	P Value	Remarks	Statistics
Homoscedasticity in Panel	0	Presence of Heteroscedasticity	371.12

Wooldridge Test

Source: Author's Computation, 2022

The diagnostic evaluations and requirements examinations outlined above demonstrate violations of the classical linear regression assumption, particularly in terms of homoscedasticity, cross-sectional independence, and endogeneity within this model. However, the presence of cross-sectional dependence indicates the necessity of employing a methodology capable of addressing endogeneity concerns. Therefore, this study successfully fulfills its third Research question by utilizing the feasible generalized least square panel regression technique. This approach has the capacity to effectively manage endogeneity, as well as address issues related to serial correlation and heteroscedasticity.

Regression Outcomes for the Third Research question

In this section, the panel regression results for the study's third Research question, which investigates the impact of audit quality on the return on assets of listed Deposit Money Banks, are analyzed. The findings from the panel regression analysis are condensed in Table 4.8, showcasing the outcomes obtained using pooled OLS in one of the columns. The second column displays outcomes derived from fixed effect panel regression, whereas column 3 presents results obtained through random effect panel regression in Table 4.8. Furthermore, column 4 showcases findings from panel feasible generalized least square regression.

Table 4.8: Computed Panel Regression Analysis for Findings on third Model

(Dependent Variable = ROA)				
VARIABLES	1	2	3	4
	PFGLS	RE	FE	POLS
Constant	86.57	149.8	339.5	86.57
	-2.25E-05	0	0	-5.42E-05
LEV	-0.0712	-0.036	0.000945	-0.0712
	-0.0938	-0.359	-0.977	-0.102

FS	-10.88	-12.41	-15.07	-10.88
	0	0	0	0
AUDS	4.553	2.134	0.733	4.553
	-0.00673	-0.252	-0.68	-0.00873
Age	0.0584	0.138	1.681	0.0584
	-0.222	-0.114	-1.38E-10	-0.233
Audfee	11.16	10.04	2.063	11.16
	0	-1.54E-10	-0.233	0
Hausman Chi			51.25	
R-squared			0.686	0.45
Observations	156	156	156	156
F for $u_i=0$			13.58	
Number of fid	12	12	12	12
P value of F			0	
Prob of Haus			0	

pval in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author's Computation

2022

The results from the panel feasible generalized least square regression and presented in column 2 are used to achieve Research question 1 of the study. This is consistent with the

findings from the diagnostic test results previously presented, which showed that the data used for Research question three violated some classical linear regression assumptions of no cross-sectional dependence, which pooled OLS, fixed effect, and random effect could not handle.

According to the findings derived from panel feasible generalized least square regression, as illustrated in column 1 of Table 4.2, audit fees demonstrate a substantial and statistically significant positive effect ($\beta = -11.16$) at the 1 percent significance level ($p = 0.0000 < 0.01$) on the return on assets of the surveyed companies. This indicates that audit fees play a significant role in positively influencing the return on assets within the Nigerian non-financial sector. Consequently, audit fees serve as an incentive for enhanced performance in terms of return on assets among non-financial firms in Nigeria.

Additionally, the results obtained from the panel feasible generalized least square regression, as shown in column 1 of Table 4.8, reveal that audit firm specialization also exerts a notable and statistically significant impact ($\beta = 4.553$, $p = 0.0067 < 0.01$) at the 1 percent significance level on the return on assets of the sampled firms. This implies that the outcomes of the third Research question demonstrate a positive and significant relationship between audit firm specialization and the return on assets of non-financial firms in Nigeria. Consequently, engaging specialized audit firms is expected to catalyze improvements in the return on assets for non-financial firms in Nigeria.

In terms of the impact of control variables on return on assets, the outcomes of the panel feasible generalized least square panel regression, as presented in column 4 of Table 4.10, reveal several findings. Firstly, firm size exhibits a significant and negative effect ($\beta = -10.88$) at the 1 percent significance level ($p = 0.000$), indicating a noteworthy negative influence of firm size on return on assets within the Nigerian non-financial sector. This finding establishes a significant negative relationship between firm size and return on assets among non-financial

firms in Nigeria.

Secondly, the results of the panel feasible generalized least square regression in Table 4.10 show that the age of banks exerts a positive but statistically insignificant impact ($\beta = 0.0584$, $p = 0.222 > 0.1$) on the return on assets of listed MoneyDeposit Banks. This suggests that bank age has a positive but insignificant effect on the performance of Nigerian MoneyDeposit Banks.

Lastly, the results also indicate that financial leverage has a negative impact on the return on assets of the sampled banks, with an estimated coefficient of -0.0712 and a corresponding p-value of 0.0938, which is significant at the 10 percent level. Consequently, these results suggest that financial leverage negatively affects the performance of Nigerian Deposit Money Banks.

To further test the robustness of these findings, Table 4.9 presents the results obtained using earnings per share as a proxy for corporate performance, thereby verifying if the earlier results hold when an alternative performance measure is utilized.

Table 4.9: Panel Regression Results for Research question Three (Dependent Variable = EPS)

	-4	-3	-2	-1
VARIABLES	PFGLS	RE	FE	POLS
Constant	-61.24	-61.24	-95.86	-61.24
	-0.0607	-0.0658	-0.157	-0.0678
AUDQ2	0.0158	0.0158	2.501	0.0158
	-0.011	-0.0496	-0.161	-0.0134
LEV	0.0261	0.0261	-0.00645	0.0261
	-0.701	-0.707	-0.931	-0.707

FS	1.932	1.932	3.605*	1.932
	-0.228	-0.237	-0.0801	-0.239
Age	-0.111	-0.111	-0.314	-0.111
	-0.148	-0.156	-0.567	-0.158
Audfee	0.587	0.587	0.162	0.587
	-0.00899	-0.00988	-0.0827	-0.0111
Number of fid	12	12	12	12
R-squared			0.32	0.42
Observations	156	156	156	156
F for $u_i=0$			0.493	
Hausman Chi			3.12	
Hausm P val			0.6817	

pval in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author's Computation

2022

Based on the findings from the feasible generalized least square panel regression presented in the final column of Table 4.9, it is evident that audit fees exert a significant positive impact on the earnings per share (EPS) of Nigerian listed MoneyDeposit Banks, with an estimated coefficient of 0.587 and a corresponding p-value of 0.00899 at the 1% significance level. Furthermore, the results indicate that audit specialization also has a positive and significant influence on the earnings per share of the sampled banks, as reflected in the estimated coefficient of 0.0158 and the corresponding p-value of 0.0110. Consequently, the study

establishes a robust and statistically significant relationship between audit quality indicators and the performance of Nigerian listed Money Deposit Banks.

4.2.2 Findings on the relationship of Accrual Earnings Management and Return on Asset

Between Audit Quality

This subsection contains the panel regression outcomes related to the study's fourth Research question.

Assessments of Diagnostic

Just like in the previous cases, the study conducted diagnostic tests to check for the violation of the basic classical linear regression assumptions and guide in the selection of appropriate panel regression technique. These results are summarized in Table 4.10.

Table 4.10 Summary on Assessments of Diagnostic Outcomes for the fourth Model

Wald Test

Breusch-Pagan

Test

Null Hypothesis	Remarks	Statistics	P Value
No cross-sectional dependence	Presence of Cross-sectional dependence	5.402	0

Null Hypothesis	Remarks	Statistics	P Value
Homoscedasticity in Panel	Presence of Heteroscedasticity	679.57	0

Wooldridge Test

Null Hypothesis	Remarks	Statistics	P Value
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No first order	No first order	1.786	0.2084
serial correlation	serial correlation		

Pesaran test

Source: Author's Computation, 2022

The diagnostic test outcomes, as shown in Table 4.10, indicate violations of the classical linear regression assumption of homoscedasticity, pointing to the presence of heteroscedasticity. However, the results do not reveal any evidence of first-order serial correlation, as the null hypothesis of no such correlation could not be rejected. Additionally, the study identifies cross-sectional dependence, suggesting a violation of the exogeneity assumption. Consequently, the study opts for the use of the feasible generalized least square panel regression technique, chosen for its ability to address endogeneity concerns arising from these violations.

The outcomes of the specification tests for model 4, as displayed in the lower section of Table 4.10, encompassed the Chow F-test for firm effect and the Hausman test assessing non-systematic coefficient differences. Notably, the F-value of 20.97, coupled with a p-value of 0.000, indicates the rejection of the null hypothesis pertaining to the absence of firm effects. This suggests that employing POLS would not yield consistent results. Similarly, the results of the Hausman test, featuring an estimated chi-square value of 68.15 and a p-value of 0.000, reject the null hypothesis associated with non-systematic coefficient disparities. Consequently, these findings underscore the superiority of fixed effect panel regression over the random effect panel regression model.

Panel Regression Outcomes for Research question 4: Examining the Moderating Impact of Audit Quality on the Association between Accrual Earnings Management and Return on Asset

The outcomes related to the moderating influence of audit quality, represented by audit firm specialization, are summarized in Table 4.12. The first column displays results derived from pooled OLS, column 3 showcases outcomes from fixed effect panel regression, and column 3 presents results from random effect panel regression. The fourth column, employing feasible generalized least square, is the focus for interpreting the findings for Research question four, in accordance with diagnostic tests indicating a violation of the exogeneity assumption.

Table 4.11: Summary of Panel Regression Results for Model Four (Dependent Variable = ROA)

VARIABLES	(1)	(2)	(3)	(4)
	PFGLS	RE	FE	POLS
Constant	155	227.4	364.8	155
	0	0	0	0
LEV	-0.042	-0.0197	0.00458	-0.042
	-0.384	-0.65	-0.89	-0.396
	-0.117	-0.00401	0	-0.128
FS	-5.765	-8.453	-14.73	-5.765
Age	0.0873	0.303	1.866	0.0873
	0	0	0	0
AQACCEM	-36.23	-9.149	-2.42	-36.23
	-0.0718	-0.637	-0.872	-0.0805
ACCEM	3.517	0.239	3.14	3.517
	-0.776	-0.984	-0.727	-0.782
AUDQ2	10.53	4.507	1.282	10.53
	-1.75E-06	-0.0503	-0.5	-6.61E-06
F for $u_i=0$			20.97	

P val of F.			0	
Hausman Chi			68.15	
Observations	156	156	156	156
R-squared			0.683	0.285
Number of fid	12	12	12	12
Prob Hausm			0	

pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation

2022

Based on the findings from the panel feasible generalized least square regression presented in Table 4.11, it was observed that audit specialization had a positive and significant impact at the 1% significance level ($\beta = 10.53$; $p = 0.0000 < 0.05$) after accounting for the moderating influence of accrual earnings management. Furthermore, the results indicated that the influence of accrual earnings management on the return on assets (ROA) of the sampled banks was positive but not statistically significant ($\beta = 3.517$; $p = 0.776$). This suggests that when audit quality is considered as a moderating factor, the effect of accrual earnings management on bank performance changes from negative to positive.

In essence, engaging a specialized audit firm, which enhances the quality of financial reporting, helps prevent accrual earnings management from adversely affecting a firm's performance. Regarding the moderating effect, the estimated coefficient of -36.23 and its associated p-value of 0.0718 in the table suggest that the moderating impact of audit quality on the relationship between accrual earnings management and firm performance is negative, albeit significant only at the 10% level. This implies that the presence of accrual earnings

management practices when the firm engages a specialized audit firm could lead to a decline in firm performance.

In terms of the control variables, the findings indicate that firm size has a significant negative impact on return on assets (ROA) ($\beta = -5.765$; $p = 0.0000$) at the 1% level of significance. Conversely, the age of the bank, represented by an estimated coefficient of 0.0873 and a p-value of 0.117, exhibits a positive but statistically insignificant effect on the performance of the sampled listed banks. Furthermore, the results reveal that financial leverage exerts a negative impact ($\beta = -0.0420$; $p = 0.384$) on ROA but the impact is not statistically significant among the sampled listed MoneyDeposit Banks.

The results obtained using earnings per share (EPS) as a proxy for corporate performance are presented in Table 4.12, aiming to assess the robustness of the earlier findings when an alternative performance proxy is employed.

Table 4.12 displays the Estimated Panel Regression Results for Research question Four, where EPS is employed as the dependent variable, examining the moderating effect of audit quality on the relationship between accrual earnings management and earnings per share (EPS).

	(1)	(2)	(3)	(4)
VARIABLES	PFGLS	RE	FE	POLS
Constant	-58.21	-58.21	-93.94	-58.21
	-0.0507	-0.0562	-0.0504	-0.0581
LEV	0.0284	0.0284	-0.00638	0.0284
	-0.674	-0.681	-0.932	-0.682
Age	-0.106	-0.106	-0.301	-0.106
	-0.174	-0.184	-0.479	-0.186

FS	2.199	2.199	3.639	2.199
	-0.0448	-0.0499	-0.064	-0.0518
AQACCEM	-9.145	-9.145	3.889	-9.145
	-0.0226	-0.751	-0.908	-0.0855
ACCEM	7.15	7.15	-1.383	7.15
	-0.68	-0.687	-0.945	-0.687
AUDQ2	0.884	0.884	2.347	0.884
	-0.774	-0.779	-0.582	-0.78
Number of fid	12	12	12	12
F for $u_i=0$			0.48	
Hausman Chi			3.17	
Observations	156	156	156	156
R-squared			0.32	0.42
Hausman P val			0.7871	

pval in parentheses

$p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author's Computation

2022

The results obtained from the feasible generalized least square panel regression, as presented in the last column of Table 4.12, indicate an estimated coefficient of -9.145 with a corresponding p-value of 0.0226. These findings suggest that the moderating effect of audit quality on the relationship between accrual earnings management and earnings per share (EPS) among the sampled listed Deposit Money Banks (DMBs) is both positive and

statistically significant. Therefore, the study consistently identifies a negative moderating effect of audit quality on the relationship between accrual earnings management and the performance of the sampled banks

4.2.3 Findings on the Impact of Audit Quality on the Relationship Between Real Earnings Management and Return on Asset

This subsection presents the panel regression findings in relation to the study's fifth goal. Similar to the cases before, the study performed diagnostic tests to look for violations of the fundamental classical linear regression assumptions and serve as a guide for choosing the best panel regression technique. These outcomes are listed in the

Table 4.13: Summary of Diagnostic Test Results for Model Five

Wald Test

Breusch-Pagan

Test

Null Hypothesis	Remarks	Statistics	P Value
No first order serial correlation	First order serial correlation	4.537	0.057

Pesaran test

Null Hypothesis	Remarks	Statistics	P Value
No cross-sectional dependence	Presence of Cross-sectional dependence	4.677	0

Null Hypothesis	Remarks	Statistics	P Value
Homoscedasticity in Panel	Presence of Heteroscedasticity	187.48	0

Wooldridge Test

Source: Author's Computation, 2022

The diagnostic test results in Table 4.13 reveal that the classical linear regression assumption of homoscedasticity has been violated, indicating the presence of heteroscedasticity. Additionally, the results suggest the presence of first-order serial correlation, albeit at a 10% level of significance. Furthermore, the study's findings indicate evidence of cross-sectional dependence, which suggests a violation of the exogeneity assumption.

The results of the specification tests for model 5, as presented in the lower part of Table 4.14, encompassed the Chow F-test for firm effect and the Hausman test to assess non-systematic differences in the coefficients. The outcomes reveal an F-value of 17.40 with an associated p-value of 0.000. This indicates the rejection of the null hypothesis that there is no firm effect, implying that using POLS would not yield consistent results. Similarly, the Hausman test results display an estimated chi-square value of 75.90 with a p-value of 0.000, leading to the rejection of the null hypothesis of non-systematic differences in the coefficients. This suggests that fixed-effect panel regression outperforms the random effect panel regression model.

Therefore, to address this violation, it is advisable to utilize a panel regression technique equipped to manage such issues. In this study, we have employed the feasible generalized least square panel regression technique, known for its ability to handle endogeneity concerns, as a means to achieve the fifth Research question of the study.

Panel Regression Outcomes for the Influence of Audit Quality on the Relationship Between Real Earnings Management and Banking Performance

The findings pertaining to the moderating impact of audit quality, as represented by audit firm specialization, on the relationship between real earnings management and firm performance, are summarized in Table 4.14. Just as in previous Research questions, the

outcomes in column 4 of the table are derived using pooled OLS, those obtained through fixed effect panel regression are outlined in column 3, and the results obtained through random effect panel regression are presented in column 2. The results stemming from the utilization of feasible generalized least square are highlighted in column 1 of the table. In line with the diagnostic tests that confirmed the violation of the exogeneity assumption, the interpretation of the results for the fourth Research question of this study is based on the panel feasible generalized least square in column 1.

Table 4.14: Summary of Panel Regression Results for Model Five (Dependent Variable = Return on Asset, ROA)

VARIABLES	(1)	(2)	(3)	(4)
	PFGLS	RE	FE	POLS
Constant	85.82	129.2	398.3	85.82
	-0.000321	-7.18E-07	0	-0.000581
LEV	-0.0326	-0.0263	0.0104	-0.0326
	-0.466	-0.554	-0.75	-0.477
Age	0.0122	0.0758	1.956	0.0122
	-0.824	-0.331	0	-0.828
FS	-3.117	-4.737	-16.07	-3.117
	-0.000356	-8.13E-07	0	-0.000636
AQREM	335.4	229.8	-189.2	335.4

	-0.000185	-0.0152	-0.0205	-0.000358
REM	-48.95	-11.04	115.3	-48.95
	-0.544	-0.893	-0.077	-0.554
AUDQ2	1.567	2.087	3.297	1.567
	-0.51	-0.4	-0.0919	-0.521
F for u _i =0			17.4	
Prob F for u _i =0			0	
Huassman Chi			75.9	
Observations	156	156	156	156
R-squared			0.695	0.385
Number of fid	12	12	12	12
Hausman P val			0	

pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation

2022

From the results of the panel feasible generalized least square regression presented in the last column of Table 4.16, it was observed that the impact of audit specialization, after accounting for the moderating effect of real earnings management, was positive but not statistically significant at the 5 percent level ($b=1.567$; $p=0.510>0.05$). Additionally, the results showed that the impact of real earnings management on the return on assets of the sampled banks was negative and not statistically significant ($b=-48.95$; $p=0.544$).

Regarding the moderating effect, the estimated coefficient of 335.4 and its corresponding p-

value of 0.00019 in the table indicated that the moderating effect of audit quality and real earnings management on firm performance was positive and statistically significant at the 1 percent level. In other words, audit specialization enhanced the positive influence of real earnings management on the return on assets of the Nigerian listed Money Deposit Banks.

Regarding the control variables, the findings indicate that firm size had a statistically significant negative impact on return on assets ($\beta = -3.117$; $p=0.0004$) at the 1% significance level. Conversely, the age of the bank, with an estimated coefficient and p-value of 0.0122 and 0.824, respectively, had a positive but statistically insignificant influence on the performance of the sampled listed banks. Furthermore, the results showed that financial leverage had a negative impact ($\beta=-0.0326$; $p= 0.384$), but this impact was not statistically significant on the return on assets of the sampled listed Money Deposit Banks.

To assess the robustness of the results, we examined the results obtained using earnings per share as a proxy for corporate performance, which are presented in Table 4.17.

Table 4.15: Estimated Panel Regression Results for Research question Five (Dependent Variable = EPS)

	-4	-3	-2	-1
VARIABLES	PFGLS	RE	FE	POLS
Constant	-96.49	-96.49	-155	-96.49
	-0.00632	-0.00762	-0.0189	-0.00846
LEV	0.0329	0.0329	0.00319	0.0329
	-0.62	-0.628	-0.965	-0.629
Age	-0.189	-0.189	-0.7	-0.189
	-0.0198	-0.0227	-0.131	-0.0241

FS	3.502	3.502	6.031	3.502
	-0.00676	-0.00812	-0.0236	-0.009
AQ*REM	-181.5	-181.5	-179	-181.5
	-0.0168	-0.0622	-0.323	-0.184
REM	284.4	284.4	318.6	284.4
	-0.0172	-0.0199	-0.0293	-0.0213
AUDQ2	3.043	3.043	3.826	3.043
	-0.388	-0.399	-0.38	-0.4
Number of fid	12	12	12	12
F for $u_i=0$			0.596	
Hausman Chi			4.12	
Observations	156	156	156	156
R-squared			0.78	0.8
Hausman P val			0.6606	

pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation

2022

The results of the feasible generalized least square panel regression presented in the final column of Table 4.15 reveal an estimated coefficient of -181.5, with a corresponding p-value of 0.0168. This suggests that the moderating effect of audit quality on the relationship between accrual earnings management and the earnings per share of the sampled listed Deposit Money Banks is negative and significant, which is in contrast to the positive and

significant impact found for return on asset (ROA).

4.4 Hypotheses Testing

This study formulates five null hypotheses presented in their null form as follows:

H₁: Accrual earnings management has no impact on the performance of Nigerian listed Money Deposit Banks.

H₂: Real earnings management has no impact on the performance of Nigerian listed Money Deposit Banks.

H₃: Audit quality does not influence the performance of listed Nigerian Money Deposit Banks.

H₄: Audit quality does not significantly influence the relationship between accrual earnings management and the performance of Nigerian listed Money Deposit Banks.

H₅: Audit quality does not have a significant impact on the relationship between real earnings management and the performance of Nigerian listed Money Deposit Banks.

4.4.1 Hypothesis Testing One

The first hypothesis of this study, presented in null form, posits that earnings management has no impact on the performance of Nigerian listed Deposit Money Banks. The findings derived from the panel regression analysis concerning this hypothesis are outlined in Table 4.18. Based on the results, it is evident that the null hypothesis, indicating that accrual earnings management has no effect on the banks' performance, is not rejected at a significance level of 5 percent.

Table 4.15: Overview of Findings for Hypothesis One

Statement of Hypothesis	Proxy	Remarks	Results
Accrual earnings management	ROA	H ₀ not rejected at 5%	$\beta = -16.62$; $p = 0.104$

has no impact on the performance of Nigerian listed Money Deposit Banks.	EPS	H ₀ not rejected at 5%	$\beta = 3.379$; $p = 0.800$
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Source: Author's Compilation, 2022

4.4.2 Hypothesis Testing Two

Table 4.16: Summary of Findings for Hypothesis Two

The second null hypothesis in this study posited that real earnings management has no effect on the performance of Nigerian listed Money Deposit Banks. The panel regression results, as outlined in Table 4.16, provide evidence that contradicts the null hypothesis, indicating that real earnings management indeed exerts a significant positive impact on the performance of Nigerian Money Deposit Banks.

Table 4.17: Findings for Hypothesis Two Summary

Statement of Hypothesis	Proxies	Remarks	Results
Real earnings management has no impact on the performance of Nigerian listed Money Deposit Banks.	Return on Asset	H ₀ rejected at 5%	$\beta = 218.1$; $p = 0.000$
	Earning Per Share	H ₀ rejected at 5%	$\beta = 151.7$; $p = 0.0314$

Source: Author's Compilation, 2022

4.4.3 Hypothesis Testing Three

According to study's third hypothesis, listed Nigerian Deposit Money Banks' performance is unaffected by audit quality. The results of panel regression that pertain to this hypothesis are summarized in Table 4.18. The null hypothesis that institutional ownership has no effect on tax avoidance is rejected at 5% based on the summary in the table. At 1%, the null hypothesis

that block ownership has no effect on Nigerian listed non-financial enterprises' tax dodging practices is also rejected. Additionally, the findings of the panel regression point to a 1% level rejection of the null hypothesis that foreign ownership has no impact on tax evasion.

Table 4.18: Hypothesis Three Result Summary

Statement of Hypothesis	Proxies	Remarks	Results By Indicators
Audit quality does not influence the performance of listed Nigerian Money Deposit Banks.	Return on Asset	H0 rejected at 5%	Audit fees ($\beta = 11.16$; $p = 0.000$)
		H0 rejected at 5%	Audit Firm Specialization ($\beta = 4.553$; $p = 0.0067$)
	Earning Per Share	H0 rejected at 5%	Audit fees ($\beta = 0.587$; $p = 0.00899$)
		H0 rejected at 5%	Audit Firm Specialization ($\beta = 0.0158$; $p = 0.0110$)

Source: Author's Computation, 2022

4.4.4 Hypothesis Four Testing

The null version of the fourth study hypothesis states that there is no association between accrual earnings management and the performance of the DMBs in Nigeria. Audit quality is indicated by audit firm specialty. Table 4.19 provides a summary of the panel regression findings in relation to this goal. Inferring from the panel regression's findings, audit quality does, in fact, negatively moderate the impact of accrual earnings management on the

performance of the DMBs in Nigeria. The null hypothesis that audit quality has no effect on the relationship between accrual earnings management and the performance of the firms is rejected at 10%.

Table 4.19: Hypothesis Four Results Summary

Statement of Hypothesis	Proxies	Remarks	Results
Audit quality does not influence the performance of listed Nigerian Money Deposit Banks.	Return on Asset	H0 rejected at 10%	$\beta = -36.23$; $p = 0.0718$
	Earning Per Share	H0 rejected at 5%	$\beta = -9.145$; $p = 0.00226$

Source: Author's Compilation, 2022

4.4.5 Hypothesis Five Testing

The fifth hypothesis of the study is that there is no association between actual earnings management and the performance of the DMBs in Nigeria. This hypothesis is expressed in the null form. Table 4.19 provides a summary of the panel regression findings in relation to this goal. Inferring from the panel regression's findings, audit quality does, in fact, positively moderate the impact of real earnings management on the performance of the DMBs in Nigeria. The null hypothesis that audit quality has no effect on the relationship between real earnings management and the performance of the firms is rejected at 1%.

Table 4.19: Hypothesis Five Results Summary

Hypothesis Statement	Proxies	Remarks	Results
Audit quality has no significant influence on the relationship between real earnings management and performance of the banks	Return on Asset	H0 rejected at 5%	$\beta = 335.4$; $p = 0.00018$
	Earning Per Share	H0 rejected at 5%	$\beta = -181.5$; $p = 0.0168$

Source: Author's Compilation, 2022

4.5 Findings Discussion

This section is dedicated to the analysis of the results obtained in the preceding section concerning each of the four Research questions. Therefore, the discussion of the findings for each Research question is presented sequentially.

4.5.1 Analysis of Results for Research question One (Accrual Earnings Management and Bank Performance)

According to the panel regression analysis's findings in the preceding section regarding the effect of accrual earnings management on the performance of Nigerian listed Deposit Money Banks, accrual earnings management had a negative, but not particularly significant, impact on the performance of the sampled DMBs as measured by return on asset. The findings imply that the performance of the sampled DMBs is unaffected by accrual earnings management. This result is not what was anticipated. It also contrasts the results of some earlier empirical studies, such as that of 210, who found that European banks with high levels of discretionary

loan loss provision, which manages earnings, perform worse in the current and following years (as measured by ROA and ROE). The results do not coincide with 211 submissions that demonstrate a favorable relationship between managed profits and firm performance and growth, or with 149 submissions that demonstrate how revenue management improved financial performance for businesses in Nairobi.

4.5.2 Analysis of Results for Research question Two (Real Earnings Management and Bank Performance)

Discussion of Findings on Research question Two (Real Earnings Management and Bank Performance):

In relation to the second Research question of this study, the panel regression results indicate a noteworthy and positive relationship between real earnings management and the performance of the sampled listed deposit money banks in Nigeria. This suggests that a higher prevalence of real earnings management practices in the Nigerian banking sector is associated with improved bank performance. Importantly, these findings suggest that real earnings management among Nigerian banks may primarily serve as a signaling mechanism rather than being driven by opportunistic motives.

These results are consistent with previous research, such as the study conducted by reference, which proposed that managers may employ earnings management to help their companies achieve their research questions¹. Additionally, they align with the argument put forth, suggesting that disclosing private information about a company's future prospects is valued by financial analysts by reference ².

Furthermore, the outcomes of this study are in agreement with the findings of reference, which indicated that banks employ earnings management techniques to avoid reporting negative net income³. The findings are also in line with the research, which demonstrated that

accounting conservatism has a significant and positive effect on return on assets (ROA) by reference ⁴.

However, it is worth noting that these results contradict certain prior empirical studies. For instance, It was reported a negative impact of earnings management on financial performance when using metrics like ROA and return on equity (ROE) ⁵. Similarly, as suggested that there is a negative effect on ROA for firms engaging in earnings manipulation through sales manipulation⁶. Additionally, it was found that a significant negative association between proxies for real earnings management and future performance in their study of firms listed on the Tehran Stock Exchange (TSE) ⁷. It was also reported that firms involved in real earnings management (REM) activities, particularly through sales manipulation to inflate reported earnings, experienced worse financial performance in the future, as observed in a study of firms listed on the Karachi Stock Exchange (KSE) ⁶.

These divergent findings highlight the complexity of the relationship between real earnings management and firm performance and underscore the importance of context-specific factors that may influence the outcomes. Further research may be necessary to delve deeper into these nuances and explore the underlying reasons behind these varying results in different settings and industries.

4.5.3 Findings on Discussion of the third Research question (Audit Quality and Bank Performance)

The findings from the panel regressions for the study's third research question indicate that audit fees, a key indicator of audit quality, significantly and positively impact the performance of the sampled Deposit Money Banks (DMBs) as reflected in their return on assets. In essence, when banks pay higher audit fees to their audit firms, it leads to greater reported profitability and enhanced performance. This underscores the notion that increased

audit fees attract more rigorous audit efforts, enhancing the monitoring capabilities of external auditors and, consequently, improving financial performance. The findings here are consistent with the claims made in a number of earlier empirical studies, who claimed that audit quality might have an impact on a company's financial performance notably those of ⁸. The findings go counter to the assertion made that variations in operating performance are correlated with variations in audit fees⁹. In a study of 300 companies listed on the BM&FBovespa, it was equally identified that there is a negative and substantial association between audit fee and earnings management¹⁰. Similar a study found out that there is no connection between ROA and audit quality proxies (audit fees and audit firm rotation)¹¹.

Furthermore, the outcomes of the panel regression highlighted in the preceding section demonstrate that the size of the audit firm, another proxy for audit quality in this study, has a positive and significant impact on the return on assets of the sampled banks. This suggests that banks employing specialized audit firms are more likely to achieve improved returns on assets compared to those that do not. This phenomenon could be attributed to the enhanced monitoring capabilities of specialized audit firms, ensuring that management makes strategic choices that enhance performance. This is consistent with the theapriori expectation of the study as well as findings reported in some other empirical literature, such as this study which claimed that the effect of audit quality on financial performance is favorable and significant and that hiring a big 4 auditor increases a firm's likelihood of generating sizable net profit margins¹². The results here concur with these findings which showed a favorable and significant impact of audit quality (auditor size) on financial performance¹³. The findings, however, were at odds with the submission of ¹⁴. Their result claimed that a survey of businesses on Tehran's equities exchange market showed a favorable but insignificant association between profitability and auditor size.

4.5.4 Results of Research question 4 (Effect of Audit Quality on the Relationship between Accrual Earnings Management and Bank Performance) Discussion

The results derived from the panel regression analysis conducted to address the fourth research question of this study shed light on a significant negative moderating effect of audit firm specialization on the relationship between accrual earnings management and the return on assets (ROA) of Nigerian listed Money Deposit Banks (DMBs).

These findings imply that when specialized audit firms are unable to effectively curtail the incidence of accrual earnings management among the sampled DMBS, bank performance tends to suffer, leading to lower ROA. This outcome aligns with prior research which supported the hypothesis that there exists an inverse relationship between audit quality and earnings management, particularly when represented by the modified Jones accrual model conducted by ¹⁵. Similarly, it corresponds with these findings, which indicated that the auditing of financial statements by large audit firms (indicative of high audit quality) may not be entirely effective in reducing the manipulation of discretionary accruals by managers and may not effectively control opportunistic managerial behavior¹⁶.

It's worth noting that these results diverge from the assertions made by reference ¹⁷. They contended that the relationship with international auditing firms has a significant influence on discretionary accruals.

4.5.5 Review of Results for Research question 4 (Impact of Audit Quality on the Relationship between Real Earnings Management and Bank Performance)

The outcomes of the panel regression analysis conducted to address the fifth research question of this study unveiled a significant positive moderating effect of audit firm specialization on the relationship between real earnings management and the return on assets (ROA) of Nigerian listed Money Deposit Banks.

These findings imply that when specialized audit firms are engaged, they bolster the positive impact of real earnings management on the performance of the sampled Money Deposit Banks in Nigeria, leading to an enhanced ROA. This result resonates with the research conducted by ¹⁸. Their result uncovered significant relationships between audit fees, auditor specialization, and earnings management. It also aligns with the findings of reference ¹⁹. Their findings reported that the relationship with international audit firms has a significant connection with earnings management in Jordan.

However, these results run contrary to the conclusion reached by ²⁰. In which their findings stated that auditors, whether Big 4 or non-Big 4, had weak incentives to prevent earnings management, and audit opinion qualification was not issued in response to management's opportunistic behavior in a study of listed firms on the Athens Stock Exchange (ASE).

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Chapter Five

Conclusion

5.0 Preamble

The summary, analysis, and suggestions related to the study are included in this chapter. It is divided into various sections, including an overview of the study, a conclusion, ideas for further research, contributions to knowledge, and limits of the research.

5.1 Summary of Findings

The investigation of the impact of earnings management and audit quality on financial performance served as the motivation for the research. Money Deposit Banks in Nigeria were selected as the focal point of the study, with firm performance gauged through metrics like return on assets and earnings per share. To assess audit quality, various attributes of audit firms were considered, specifically audit fees and audit firm specialization, recognized in prior literature as indirect indicators of audit quality. Earnings management was divided into

two groups: real earnings management and accrual earnings management, which were derived from discretionary accruals using the modified Jones model. The study came up with five different research questions that were all in line with these varying definitions.

The initial specific aim of this study was to evaluate how accrual earnings management affects the performance of corporate firms in Nigeria. To achieve this research question, the study utilized the feasible generalized least square panel regression method, which was selected based on the results of diagnostic tests indicating the presence of endogeneity issues. The findings obtained through the panel feasible generalized least square approach indicated that the influence of real earnings management on return on assets exhibited a negative trend but lacked statistical significance. Similarly, the impact on earnings per share also showed a negative relationship without statistical significance. As a result, the study concludes that there is no significant impact of accrual earnings management on the performance of Nigerian listed non-financial firms.

The study's second primary goal was to examine how real earnings management affects the performance of Nigerian listed Deposit Money Banks. To achieve this research question, the study employed the panel feasible generalized least square method to address potential issues related to the exogeneity assumption. The findings of the analysis showed that real earnings management has a favorable impact on the return on assets of Nigerian listed Deposit Money Banks. Additionally, the research identified a substantial and beneficial association between real earnings management and the earnings per share of the selected listed Deposit Money Banks in Nigeria.

Examining the impact of audit quality on the performance of Nigeria's listed Deposit Money Banks was the third particular goal of the study. The study used practicable generalized least squares regression to achieve this goal, in accordance with the results of the diagnostic test,

which showed the existence of an endogeneity problem. The analysis's findings showed that audit fees had a favorable and statistically significant impact on the sampled banks' return on assets and earnings per share. Additionally, there was a favorable and significant effect of audit specialization on both the return on assets and earnings per share. As a result, the study determined that audit quality has a considerable and favorable impact on the performance of Nigerian listed Deposit Money Banks.

The fourth goal of the study was to determine whether audit quality had a moderating effect on the relationship between accrual earnings management and the performance of Nigerian listed Deposit Money Banks. The research found a significant negative moderating effect of audit quality on the connection between accrual earnings management and the return on assets of the studied banks using panel feasible generalized least square regression. The association between firm accrual earnings management and earnings per share within the tested firms was also found to be significantly moderated negatively by audit quality, according to the study.

In order to achieve the fifth research question of the study, an analysis was done to determine the moderating role that audit quality plays in the relationship between real earnings management and the accuracy of financial reporting. The study revealed significant positive moderating effects of audit quality on both the relationship between real earnings management and return on assets among the sampled listed Deposit Money Banks and the relationship between real earnings management and earnings per share within the sampled firms by employing practicable generalized panel regression to achieve this goal.

5.2 Conclusion

In light of recent financial reports, both on a global scale and within the context of Nigeria, there has been a resurgence in discussions regarding the effect of earnings management on a

company's overall performance. Given the notable corporate scandals that have occurred in Nigeria, particularly within the banking sector, this study aimed to delve into the relationship between earnings management and the performance of Nigerian banks. Furthermore, the research sought to ascertain whether the quality of auditing either magnifies or mitigates the impact of earnings management on the performance of Deposit Money Banks in Nigeria. The study employed panel feasible generalized least square regression due to its ability to address issues related to endogeneity. The results derived from this analysis suggest that accrual earnings management does not exhibit a noticeable influence on the performance of Nigerian Deposit Money Banks, as assessed through metrics like return on assets and earnings per share. In contrast, the study did identify a significant effect of real earnings management on the performance of Nigerian Deposit Money Banks, as evidenced by changes in both return on assets (ROA) and earnings per share (EPS).

Moreover, this research effectively illustrated the significant and favorable impact of audit quality, represented by audit fees and the involvement of specialized audit firms, on the performance of the sampled banks, using proxies such as return on assets (ROA) and earnings per share (EPS). Importantly, it was highlighted that Deposit Money Banks in Nigeria have the potential to leverage indirect indicators of audit quality, like audit fees and the engagement of specialized audit firms, to improve their financial performance concerning ROA and EPS.

Furthermore, a deeper examination of the study unveiled a noteworthy moderating effect of audit quality, which was negative, on the relationship between accrual earnings management and performance, measured by both ROA and EPS. This implies that the performance of Nigerian listed Deposit Money Banks tends to decrease when they engage in accrual earnings management alongside specialized audit firms. Additionally, the research identified that audit

quality amplifies the positive impact of real earnings management on the performance of Nigerian Deposit Money Banks.

5.3 Recommendations

The study presents the following suggestions, which can be helpful to various stakeholders, based on the findings of this research. These suggestions are supported by the study's findings.

- (i) The research found that accrual earnings management has a detrimental but statistically insignificant impact on bank performance. As a result, it is advised that Nigerian bank management limit the use of accrual earnings management because it has a negative impact on performance.
- (ii) It is advised that management and other relevant stakeholders consider using real earnings management as a way to improve the informativeness of accounting figures in their financial reports given that the findings show a significant positive impact of real earnings management on the performance of the sampled firms.
- (iii) It is advised that regulators in the industry encourage the use of specialist audit firms by these banks in light of the study's finding that doing so improves the performance of the sampled Deposit Money Banks.
- (iv) The research also found strong evidence that there is a considerable positive correlation between audit fees and the success of Nigerian deposit money banks. As a result, it is strongly advised that those with ownership in these institutions prioritize paying audit firms greater audit fees as a way to encourage the creation of high-quality audit reports, which will ultimately lead to improved performance.

5.4 Contribution to Knowledge

This study has significantly contributed to the ongoing discussions about earnings management practices in corporate entities. In particular, the research findings have brought new insights to the conversation about the consequences of earnings management. From a

theoretical perspective, this study has enhanced our understanding of signaling theory by revealing how management employs real earnings management to communicate their firms' favorable positions to external stakeholders. Moreover, the research is in line with the efficient monitoring hypothesis in the context of agency theory, highlighting the crucial role of audit quality in reducing managerial opportunism and, consequently, enhancing overall organizational performance.

This study emphasizes the value of acknowledging the potential for endogenous bias when examining earnings management and audit quality performance from a methodological perspective. It emphasizes how crucial it is to undertake exhaustive investigations and handle endogeneity issues using suitable statistical methods in research like these. Such a strategy strengthens the validity of the findings about the relationship between corporate performance and the factors affecting it.

This work has improved our knowledge of the connection between earnings management and firm performance, which has added to the empirical literature. This was accomplished by looking at how audit quality, as determined by audit fees and audit firm expertise, moderates the effect of earnings management. The research results refute the idea that Nigerian Deposit Money Banks' handling of real earnings is opportunistic, as claimed in some earlier work. Instead, it shows how these procedures can improve the educational value of financial data. The study also supports the idea that audit quality may encourage management's dedication to producing superior financial results for the firms.

5.5 Recommendations for Future Research

This section offers numerous suggestions for future research projects in light of the study's noted shortcomings. First, future research might take into account enlarging the scope by including more financial industry sub-sectors. With this strategy, it would be possible to

compare the relative effects of audit quality and earnings management on the performance of the firm across different subsectors. Future studies could also use alternate proxies for both earnings management and audit quality, such as the tenure of the audit firm, to support the conclusions made here. Tobin's Q and market share price are two additional proxies for business performance that researchers may think about include in their study's scope expansion. Researchers may also think about using other proxies for firm success that aren't directly related to market performance.

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