



Board Attributes and Real Earnings Management: Evidence from Deposit Money Banks (DMBs) in Nigeria

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Abstract

The study examined the nexus of board attributes and real earnings management among quoted Deposit Money Banks (DMBs) in Nigeria. The study specifically examined the effect of board size and board independence on the REM proxy, i.e., discretionary loan loss provision. The final sample was thirteen (13) banks listed on the Nigerian Exchange Group (NGX). The study relied on secondary data from annual financial statements for the period 2012 to 2022. The data were analyzed using the pooled ordinary least square regression. The finding showed that there is a significant negative effect of board size on real earnings management and that board independence negatively influence real earnings management in Nigerian banks. The study, therefore, recommended that bank shareholders increase the number of directors in a bank to oversee manager behaviour. Banks should also increase the percentage of non-executive directors to oversee managers' operations. The study reaffirms the importance of corporate governance in reducing unethical management tendencies to indulge in real activities manipulation.

Keywords: Board Size, Board Independence, Real Earnings Management, Loan Loss Provision

1.0 Introduction

Boards play a crucial role in the corporate governance process, which implies that they should refrain managers from opportunistic earnings management (Epps & Ismail, 2008). Corporate boards oversee the accuracy of the financial statement information, and as a result, they exert control over top managers' behaviour to ensure that their decisions are consistent with the interests of stakeholders (Dimitropoulos & Asteriou, 2010). Therefore, corporate governance procedures include the function of corporate boards, and ethical boards encourage effective corporate governance roles. The board has the extremely important responsibility of promoting the welfare of shareholders by carefully monitoring the company's management team. Studies have identified board of directors' attributes that may influence firm performance. This study focuses on two such attributes: board size and board independence. Board size refers to the number of directors sitting on the board; while, independent directors, also referred to as Non-executive Directors (NEDs), are board members with no association with the firm, except for their directorship and possibly holding a small amount of company stock (Hassan, Karbhari, Isa, & Ab Razak, 2017). According to the agency theory, NEDs are unlikely to conspire with managers because the effectiveness of their oversight determines the significance of independent directors to some extent.

One of the objectives of financial statements is to provide users with pertinent information regarding the risk, variability, and timing of future cash flows. The integrity of financial statements is threatened by earnings management, which over time weakens users' confidence in yearly reports. The practice, which goes by a variety of titles including "earnings smoothing," "financial engineering," and "window dressing," among others, has caused the demise of numerous renowned companies all over the world. The necessity to identify and avoid earnings management has become more important than ever in the wake of the enormous accounting scandals that occurred in the United States at the beginning of the twenty-first century and hurt stakeholders.

The Sarbanes-Oxley Act of 2002 was passed in response to the twenty-one biggest accounting scandals as well as the collapse of Arthur Andersen, one of the most reputable auditing firms in the world, between 2000 and 2002. Examples of similar instances in Nigeria include, among others, those involving Cadbury Plc and Africa Petroleum. Instead of altering the accounting techniques used to reflect those underlying activities, the majority of fraudulent accounting and accruals management is carried out through the firm's underlying economic operations. Real earnings management is performed by altering the firm's core activities. Reducing prices near the end of the year to push sales from the following fiscal year into the current year, selling non-current assets and postponing desirable investments to affect gains and losses are all patterns of real earnings management used to improve current period earnings (Healy & Wahlen, 1999). Real earnings management occurs when managers use techniques that differ from prior best practices to increase reported profitability. It entails alterations of typical business operations, which will have an impact on the firm's cash flow (Zang, 2012).

Manipulation of real activities can lower company value since actions done now to boost profitability can have a detrimental impact on future cash flows (Roychowdhury, 2006). Although there are many debates in the literature about the effectiveness of corporate governance mechanisms in preventing accounting number manipulation, there is very little empirical evidence in the Nigerian banking sector, and measuring earnings management using discretionary accruals has also been a contentious practice in recent times. Several issues have arisen in the Nigerian banking sector, prompting regulators to continuously strengthen its corporate governance mechanisms. Despite strict governance regulations, the effectiveness of these regulations in limiting earnings management remains unknown. Shayan-Nia, Sinnadurai, Zuraidah, and Hermawan (2017) note that empirical evidence is still lacking in developing countries. The main objective of this study is to examine the nexus of board attributes and real earnings management of quoted Deposit Money Banks (DMBs) in Nigeria. The study specifically:

1. Investigated the effect of board size on loan loss provision of quoted Deposit Money Banks (DMBs) in Nigeria.
2. Examined the effect of the degree of board independence on loan loss provision of quoted Deposit Money Banks (DMBs) in Nigeria.

2.0 Literature Review

2.1 Conceptual Review

2.2.1 Earnings Management

Earnings management, according to Healy and Wahlen (1999), is the altering of financial statements through the use of judgment in transaction structuring to either deceive the firm's stakeholders about the true economic picture of the firm or to achieve some contractual benefit based on accounting numbers. This means that earnings management is the manipulation of financial statements by managers, utilizing accounting choices, estimations, and methodologies, to attain particular goals that are mainly at odds with the firm's underlying economic situation.

A loan loss provision is a line item on the income statement that represents the managers' estimate of future losses. This means that a higher loan loss provision lowers net income, whereas a lower loan loss provision raises net income. The provision for it is divided into two (2) parts because it is the result of managers' evaluation of the possible loss that the company would suffer if the borrower failed to return his obligations on time. There are portions that are non-discretionary and discretionary portions. "Non-discretionary is a function of specific quality determinants in the loan portfolio- non-accrual loans, renegotiated loans, loans past due over 90 days, specific analyses on troubled large credits, usually implying internal grading system" (Grey & Clarke, 2004).

As a result, the non-discretionary portion is the provision that is based on a fair and objective assessment of the firm's economic circumstances. The discretionary element includes accruals that are heavily reliant on the managers' future expectations of unpredictable events. There exist empirical evidence reported in the literature on the use of loan loss provision in the manipulation of earnings. Researchers over the years have advocated that managers engage in earnings management through various means, ranging from adjusting accounting choices, real transactions, total accruals/discretionary accruals, specific accruals, and income smoothing to earnings distributions approach (Okike & Okougbo, 2015). The discretionary provision approaches appear to be the one that has piqued the interest of researchers the most out of all of these ways. This is because it has the most negative impact on the usefulness of accounting data.

2.2.2 Board Size and Earnings Management

Corporate boards are responsible for monitoring the quality of information contained in financial statements; thus, they control senior management behaviour to ensure that their actions are aligned with the interests of stakeholders (Dimitropoulos & Asteriou, 2010). Corporate boards' roles are thus embedded in corporate governance practices, with responsible boards encouraging good corporate governance roles. According to Firth, Fung, and Rui (2007), board size is another variable that influences the effectiveness of the board control function. Larger boards are generally perceived as less effective in terms of idea exchange, and they increase coalition costs among board members (Firth, Fung, & Rui, 2007). Boards of directors play a critical role in resolving agency issues that arise between shareholders and managers due to earnings management (Ali Shah, Zafar, & Durrani, 2009). The resource dependency theory supports larger boards because of the wealth of expertise, skill, and resources the board members are likely to make accessible to the organisation.

According to empirical evidence, board size has a negative significant relationship with earnings management (Chtourou, Bedard, & Courteau, 2001; Bugshan, 2005; Roodposhti & Chashmi, 2010). It was discovered in a study of initial public offering firms that board size is negatively and significantly associated with earnings management (Mnif, 2009). Rashidah and Fairuzanana (2006) support the view that larger boards are ineffective in their oversight duties when compared to smaller boards in a Malaysian study, finding that board size is positively related to earnings management.

2.2.2 Board Independence and Earnings Management

According to the agency theory, independent directors can be used as a corporate governance mechanism to alleviate agency concerns and ensure that managers act in the best interests of shareholders. Several studies have shown that increased board independence improves firm performance and provides independent monitoring, reducing agency conflict between managers and shareholders. The presence of independent directors on corporate boards is thought to have an impact on earnings management. A study conducted in U.S.-listed firms by Xie, Davidson, and DaDalt (2003) discovered that discretionary accruals are extremely rare in companies with more independent outside directors with corporate experience. Similarly, Klein (2002) discovered a negative relationship between board independence and earnings management, indicating the importance of independent directors in monitoring the corporate financial accounting process. Hence, this

result suggests that outside board members play a significant monitoring role towards the integrity and credibility of financial statements and also contribute to the containment of earnings management activity.

2.2 Theoretical Framework

The research is based on the agency theory. This theory was propounded by Jensen and Meckling (1976). The separation of ownership and management has a significant impact on managerial action in a firm's reported numbers. According to the theory, opportunistic managers can make a big deal out of earnings management by manipulating and arranging complex transactions, allowing them to pursue self-interest. The manifestation of the theory within a company is very common, and a method is through earnings management, in which managers take advantage of varying methods of valuation and recognition of assets, liabilities, capital, income, and expenses, leveraging on them to manipulate reported numbers. Weak governance, insufficient corporate transparency, and the absence of effective monitoring could deteriorate the cost of agency between management and owners. Managers tend to be opportunistic and redirect resources especially when their appraisal and rewards depend on reported numbers.

2.3 Empirical Review

Tulcanaza, Ana, and Younghwan (2022) using Korean market data seek the possibility of good corporate governance (CG) influences the relationship between real earnings management (REM) and firm value (FV). They discover that for firms with high CG, management's opportunistic REM behaviour is no longer beneficial. Our interaction and robustness studies indicate evidence that CG performs an effective monitoring function in preventing management from engaging in opportunistic REM activities, and as a result, FV no longer experiences the drop associated with REM activities.

Rahahleh, Hamzah and Rashid (2022) investigate the effect of the audit committee as a proxy for corporate governance on real earning management among ninety-two (92) Amman-listed stocks from the industrial and service sector for the period 2009 to 2018. Corporate governance has been measured using cash flow from operations, whereas real earning management has been measured using audit committee size, meetings, and gender. The panel regression result reveals that the audit committee size and gender have a negative and significant effect on real earning management when using the agency theory. They also report a considerably favourable association between audit committee meetings and real earnings management.

Kjærland, Haugdal, Sondergaard, and Vagslid (2020) in a study of the corporate governance norms in the Nordic countries and earnings management Employee representation on the board of directors, as well as the establishment of an audit committee, are both policies that decrease the occurrence of earnings management. Furthermore, we discover that board independence and director share ownership have a significant impact on earnings management, whereas board activity and directors' status as majority shareholders have no effect.

Indarti, Faisal, Afri Yuyetta and Widiatmoko (2020) examines the influence of governance mechanism on the opportunistic behaviour of management in the form of earnings management practices with real activities manipulation in the manufacturing sector of the Indonesia Stock Exchange for the period 2016-2018. Using the purposive sampling method, 224 data were obtained and analysed using multiple regression analysis. The

results indicate the real earnings management reducing tendencies of the independent commissioner, and that the existence of an audit committee cannot reduce the opportunistic behaviour of management. They recommended the strengthening of corporate governance mechanisms through the existence of independent commissioners. Regarding the ownership structure, this study failed to prove the role of share ownership by institutions and management in reducing real earnings management practices.

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

Abubakar, Adamu and Sitraselvi (2017) examine listed Nigerian financial firms' board qualities and real earnings management. The Roychowdhury (2006) residual is employed as a surrogate for real earnings management. From 2011 to 2016, data was collected from 45 financial organizations listed on the Nigerian Stock Exchange (NSE). The Panel Corrected Standard Errors (PCSEs) regression was used for analysis. According to the regression results, board meetings and board experience have a considerable favourable impact on actual earnings management. Female directors, on the other hand, have a strong detrimental impact on real earnings management. According to the report, Nigerian authorities should focus on a recent technique of real profits management (cash flow from operations, discretionary spending, and cost of products sold) that is familiar to board members in industrialized nations to play a key role in preventing corporate executives from acting opportunistically in the usual course of business and creating financial reports.

Susanto and Pradipta (2016) empirically study the impact of corporate governance on the management of real earnings. The audit committee of accounting specialists, audit committee, audit committee meetings, boards of directors, independent commissioners, management ownership, and institutional ownership were all used in this study. Multiple regression analysis was employed in the strategy. From 2011 to 2014, a sample of manufacturing companies listed on the Indonesia Stock Exchange was employed in this study. The findings revealed that audit committee meetings, board of directors meetings, and institutional ownership have an impact on real earnings management. Real earnings management cannot be reduced by audit committee meetings. As an outside party, the audit committee has less information about the company's actual operations. The board of directors is made up of employees who are familiar with the company's operations. The board could monitor operational activities appropriately if there are any deviations. Institutional ownership as a majority owner provides access to information about the company's operations. Institutional ownership can lessen the divergence of real activities using this knowledge.

Abubakar Abdu and Abdulmarooph (2014) in a study on the relationship between loan loss provision and earnings management in Nigeria, secondary data was gathered from eight (8) banks' annual reports from 2006 to 2011. According to the results of the robust regression analysis, there is a positive association between loan loss provisioning and earnings management in Nigerian banks. They suggested that, if the integrity of financial

reports is a priority, regulators set a limit on the provision for loan losses rather than allowing managers to alter it to suit their interests.

3.0 Methodology

The study adopts an ex post facto design, involving data having both longitudinal and cross-sectional design properties. This enables the researcher to ascertain the influence exerted by the explanatory variables on the explained variable from historical data. The population consists of all quoted banks in the Nigerian Exchange Group. The study adopts the census sampling technique as a result of the concise nature of the population. Hence, the entire banks in the population formed the sample of the study. The study utilizes secondary data on earnings management, board size, board independence, firm size, and firm age, for the periods 2012 -2021 were obtained from the financials of sampled firms.

3.1 Specification of Model

The study intends to adapt the empirical model of Okike and Okougbo (2015). Where Earnings Management was hypothesized to be a function of firm size, firm profitability, and corporate governance measures of the selected firms.

The study modifies the model as follows:

$$DLLP_{it} = \beta_0 + \beta_1 BDS_{it} + \beta_2 BIND_{it} + \beta_3 AGE_{it} + \beta_4 SIZE_{it} + \beta_5 AQ_{it} + \epsilon_{it}$$

Where:

DLLP = Discretionary loan loss provisions (Real Earnings Management)

BDS = Board Size

BIND = Board Independence

AGE = Firm Age

SIZE = Firm Size

AQ = Audit Quality

Since our study is focused on Nigerian Banks, earnings management is measured using Chang, Shen, and Fang's (2008) model on discretionary loan loss provision and earnings persistence. A loan loss provision is a line item on the income statement that is set aside as a reserve for unpaid loans and loan payments. This provision is used to cover a variety of loan losses, including non-performing loans, customer bankruptcy, and renegotiated loans with lower payments than expected. The Chang *et al.* Model would be used in the determination of earnings management using the formula below:

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

Where:

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

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

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

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

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

ϵ = the error term

3.2 Measurement of Variables

Table 1: Variables included in the research model

Variables	Proxies	Nature	Measurement	Sources
Earnings Management	Chang et al Model	Dependent	Chang <i>et al.</i> Model on Discretionary Loan Loss Provision and Earnings Persistence	Chang <i>et al.</i> (2008)
Corporate governance	Board Size	Independent	Number of executive and non-executive directors	Shayan-Nia <i>et al.</i> (2017)
Corporate governance	Board Independence	independent	Number of non-executive directors/ Board size *100	Kjærland <i>et al.</i> (2020)
Firm Size	Firm size	Control Variable	Natural logarithm of Total Asset	Igbinovia and Iyoha (2020)
Firm Age	Firm Age	Control Variable	Number of years since incorporation	Igbinovia and Iyoha (2020)

Source: Researchers' Computation 2021

3.3 Data Analysis Techniques

Descriptive statistics, correlation, and ordinary least squares were employed as tools of analysis using E-views 10.0. The descriptive statistics also showed the normality test, i.e., whether the data in the model were normally distributed or not. Additionally, the correlation matrix was used to check whether the regression model found a correlation between independent variables.

4.0 Data Analysis

Table 2: Summary statistics of variables included in the research model

	BSIZE	BIND	FSIZE	FAGE	AQ
Mean	13.62308	0.607294	21.30994	24.21705	0.930769
Median	14.00000	0.562500	21.32161	22.00000	1.000000
Maximum	21.00000	1.285714	23.18558	52.00000	1.000000
Minimum	6.000000	0.277778	18.86861	5.000000	0.000000
Std. Dev.	3.383190	0.165513	0.927614	13.98937	0.254828
Skewness	-0.143168	1.380198	-0.178715	0.620500	-3.393939
Kurtosis	2.587404	5.443959	2.536554	2.097841	12.51882
Jarque-Bera	1.366210	66.26451	1.855417	12.65260	740.3680
Probability	0.505046	0.000000	0.395459	0.001789	0.000000
Sum	1771.000	71.05337	2770.292	3124.000	121.0000
Sum Sq. Dev.	1476.531	3.177767	111.0003	25049.92	8.376923
Observations	130	117	130	129	130

Source: E-Views 10

Table 2 above provides the descriptive statistics of the pooled sample which comprises measures of central tendency and dispersion. The computation is performed with the aid of E-Views 10 usually contains the number of observations, mean, median, standard deviation, maximum, minimum, kurtosis, and skewness. The average board size was 13.62; the board independence variable recorded a value of 0.607, i.e., approximately 60% of the boards were composed of independent non-executive directors. The mean of the logarithm of firm size was 21.31; the minimum value was 18.87 and the maximum value was 23.18. The mean value of firm age was 24.21; this implies the fact the banks included in the study have been operational for over 20 years. The minimum value was 5.00 and the maximum value was 52.00. On average, the audit quality variable recorded a mean value of 0.931 a minimum value of 0 and a maximum value of 1. This is indicative of the fact that the majority of banks included in the sample utilised the services of the big four audit firms against the non-big four audit firms. The Jarque-Bera (J-B) statistic tests for the normality of the distribution. The null hypothesis for the J-B test is that the data is normally distributed; the alternate hypothesis is that the data does not come from a normal distribution. Since the J-B (p-value<0.05), the null hypothesis of a normal distribution is rejected for the firm age and audit quality variable. The variables of board size, board independence, and firm size were normally distributed.

4.2 Correlation Analysis

Table 2: Correlation matrix of variables included in the research model

	DLLP	BSIZE	BIND	FAGE	FSIZE	AQ
DLLP	1					
BSIZE	-0.00958	1				
BIND	-0.13856	-0.5371	1			
FAGE	0.034337	0.442352	-0.20284	1		
FSIZE	0.421525	0.41623	-0.13095	0.432963	1	
AQ	0.115566	0.532556	-0.34865	0.267392	0.527407	1

Source: E-Views 10

The table shows that the DLLP negatively correlated with board size and board independence. The correlation between abnormal operating cash flow and the control variables: firm size, firm age, and audit quality were all positive. Board size negatively correlated with board independence.

4.3 Test of Hypotheses

Table 3: Analysis output of regression equation

Dependent Variable: DLLP

Method: Panel Least Squares

Date: 12/22/22 Time: 10:25

Sample (adjusted): 2013 2020

Periods included: 8

Cross-sections included: 13

Total panel (balanced) observations: 104

White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.97E+08	31148507	-6.312936	0.0000
BSIZE	-1521027.	425818.4	-3.572010	0.0006
BIND	-30693462	8005859.	-3.833875	0.0002
FAGE	-158738.4	58605.20	-2.708606	0.0080
FSIZE	11921467	1912327.	6.234011	0.0000
AQ	-7590304.	2390756.	-3.174855	0.0020
R-squared	0.290281	Mean dependent var		6659562.
Adjusted R-squared	0.254071	S.D. dependent var		16928272
S.E. of regression	14620474	Akaike info criterion		35.88971
Sum squared resid	2.09E+16	Schwarz criterion		36.04227
Log likelihood	-1860.265	Hannan-Quinn criter.		35.95151
F-statistic	8.016559	Durbin-Watson stat		1.139160
Prob(F-statistic)	0.000002			

Source: E-Views 10

The coefficients of BSIZE and BIND were negative and significant. The coefficient of determination explains the fraction of the variance of the dependent variable explained by the independent variables. The value of the R-squared was 0.290 while the adjusted R-squared value was equal to 0.254, i.e., 25.4% of the variance in the dependent variable is attributed to the explanatory variables. The F-statistic value was 8.016, with a p-value less than .05 (0.000). This confirms the statistical significance of the model.

Hypothesis One

Ho₁: Board size has no significant effect on real earnings management of quoted Deposit Money Banks (DMBs) in Nigeria.

The output shown in Table 3 above indicated that the coefficient of board size was -1521027 was negative and statistically significant as $p < .05$ ($t = -3.572$; $p = 0.001$). Therefore, the alternate hypothesis is accepted and the null rejected “Board size has a significant effect on real earnings management of quoted Deposit Money Banks (DMBs) in Nigeria”.

Hypothesis Two

Ho₂: Board independence has no significant effect on real earnings management of quoted Deposit Money Banks (DMBs) in Nigeria.

The output shown in Table 3 above indicated that the coefficient of board independence was -30693462 was negative and statistically significant as $p < .05$ ($t = -3.834$; $p = 0.000$). Therefore, the alternate hypothesis is accepted and the null rejected “Board independence has a significant effect on real earnings management of quoted Deposit Money Banks (DMBs) in Nigeria”.

The control variables showed differing effects of the selected control variables. For instance firm size had a positive effect while firm age and audit quality had a negative effect. The effect of firm size was significant and $p < .05$. These results are somewhat consistent with the study by Gavana, Gottardo and Moisello (2019), in analyzing the connection between several types of visibility (exposure to financial press, proximity to the consumer, size of assets, sales and firm age, and earnings quality) and showed that they have varying effects on earnings management.

4.4 Discussion of Findings

4.4.1 Discussion of Hypothesis One

The first hypothesis showed that there is a significant negative effect of board size on real earnings management of quoted Deposit Money Banks (DMBs) in Nigeria.

This is consistent with the *a-priori* expectation of a negative effect of board size on real earnings management. The negative coefficient implies that a unit increase in board size would lead to a 1521027 decrease in the dependent variable, i.e., discretionary loan loss provision, the proxy for real earnings management after holding all the other independent variables constant. This is consistent with the board monitoring properties of large board sizes.

The results are somewhat consistent with the study by Tulcanaza, Ana, and Younghwan (2022) in Korea, which finds that board size plays an effective monitoring function in preventing management from engaging in opportunistic REM activities.

4.4.2 Discussion of Hypothesis Two

The second hypothesis showed that there is a non-significant negative effect of board independence on real earnings management of quoted Deposit Money Banks (DMBs) in Nigeria.

This is consistent with the *a-priori* expectation of a negative effect of board independence on real earnings management. The negative coefficient implies that a unit increase in board independence would lead to a 30693462 decrease in the dependent variable, i.e., discretionary loan loss provision, the proxy for real earnings management after holding all the other independent variables constant. This is consistent with the board monitoring properties of independent executive directors.

However, using a sample of firms from Nordic countries, Kjærland, Haugdal, Sondergaard, and Vagslid (2020) find that board independence has a significant impact on earnings management. In Indonesia, Indarti, Faisal, Afri Yuyetta and Widiatmoko (2020) from a sample of manufacturing firms that an independent director cannot reduce the opportunistic behaviour of management. The study by Agrawal and Chadha (2005) finds that audit committee independence and board composition had no bearing on the likelihood of a restatement. In the U.S., the study by Klein (2002) on a sample of 692 firm years finds an inverse relationship with profit smoothing. Contrary to this, other studies such as Beasley (1996), Cadbury (1992), Fama and Jensen (1983) and Shleifer and Vishny (1997) from an agency perspective demonstrate the importance of board independence as a measure of good corporate governance. Using a sample of S&P firms, Xie (2001) concluded that earnings management is less likely to occur or occurs less frequently in organizations whose management includes more non-executive directors.

5.0 Conclusion and Recommendations

The study concludes that board attributes affect real earnings management of quoted Deposit Money Banks (DMBs) in Nigeria. Specifically, that board size and board independence negatively influence real earnings management in Nigerian banks. The study, therefore, makes the following recommendations for Nigerian banks, policymakers, and shareholders study as follows:

1. According to the negative effect of board size, as board size grows for the banks in the sample, this adds to expanded monitoring scope with a higher possibility of lower real earnings manipulation. Therefore, it is advised that bank shareholders increase the number of directors in a bank to oversee manager behaviour.
2. According to the negative effect of board independence, when board independence for the banks in the sample rises, this will help to improve monitoring and increase the possibility that real profits manipulation will be less likely. Therefore, it is advised that banks increase the percentage of non-executive directors to oversee managers' operations.

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