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- V. Literature Review
- VI. Methodology
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- VIII. Conclusion and Recommendations
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## CEOs' CHARACTERISTICS, AUDIT QUALITY AND EARNINGS MANAGEMENT OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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### ABSTRACT

*The urgent need to eliminate the menace of earnings management practice in banking sector within economy cannot be overemphasized through combined efforts of certain attributes of CEOs and engagement of high quality audit firms. Therefore, the study examines the impact of CEOs' characteristics, audit quality on earnings management of listed deposit money banks in Nigeria. To describe the pattern of the research variables, measure of central tendency; mean and standard deviation were employed while inferential statistics using panel data regression was used to test formulated hypotheses. Secondary data source was employed and extracted from the banks' published financial statements covering the period from 2009-2023. Loan loss provision model was used to measure earnings management. The findings revealed a negative and significant effect of CEOs' attributes and audit quality on earnings management. Specifically, CEOs' age, Ownership, compensation and audit quality revealed a positive and significant effect on earnings management while CEOs' reputation was negatively significant. The study therefore recommends individual with high level of both academic and professional qualifications be considered for the position of CEOs' of deposit money banks in Nigeria and engagement of high-profile audit firm for annual statutory audit with adequate regulatory backing to curb client influence.*

**Keyword:** CEOs characteristics, Earnings management and Audit quality.

### INTRODUCTION

The quality of corporate financial reports in providing timely, relevant and reliable information to various stakeholders to make informed decision cannot be overemphasized. And with earnings management practice, this quality is being undermined which often resulted to financial loss to stakeholders, erosion of public trust and damaged reputation. Therefore, earnings management refers to an attempt by the management to alter companies reported earnings using permitted accounting techniques in order to produce financial reports that portray an enticing view of the company's business activities and financial position (Lodikeroi et al., 2022).

Earnings management (EM) in deposit money banks

(DMBs) has become a globally scrutinized practice due to its implications for financial transparency, investor confidence, and regulatory oversight. Basically, regulatory environments and cultural factors influence the extent and nature of earnings management. In developing economies with weak enforcement of accounting standards, DMBs are more likely to engage in opportunistic EM to meet capital requirements or satisfy market expectations (Leventis et al. 2011). Conversely, in advanced economies with strict oversight such as the United States or members of the European Union, EM is often subtler and takes the form of income smoothing or signaling future performance (Beatty et al., 1995).

In Africa, EM has become a subject of increasing

scholarly and regulatory concern, particularly due to the implications it holds for financial stability, transparency, and investor confidence. In many African economies, banks play a central role in financial intermediation, which makes the credibility of their financial reports crucial for sustainable economic development (Okolie & Izedonmi, 2014). The motivation for earnings management often stems from pressures to meet regulatory requirements, sustain investor confidence, and align reported performance with stakeholder expectations. For instance, studies in Nigeria suggest that bank managers may manipulate discretionary accruals to comply with prudential guidelines and to avoid regulatory sanctions (Uwuigbe et al., 2015). Earnings management in African deposit money banks reflects a combination of institutional weaknesses, regulatory gaps, and managerial incentives. Addressing these challenges requires strengthening governance frameworks, improving audit quality, and enforcing stricter regulatory oversight to enhance transparency and restore stakeholder trust in the banking sector (Uwuigbe et al., 2015; Okpala, 2019).

Audit oversight parameters, including audit size, audit fees, tenure, and overall audit quality, emerge as significant influencers of earnings management. Audit quality is defined as the extent of excellence demonstrated in the audit process (Faiza and Nur 2023). It is also characterized as the likelihood of financial statements being fairly presented upon receiving an unqualified opinion (Kit 2020). The studies of Kaviani and Jafari 2025; Krismiaji et al. 2024; Sulieman, et al. 2024; Le and Moore 2023; Awuye 2022; Salem, et al. 2021; Chowdhury and Yasser 2021; Lopes 2018; Almoni and Ayedh 2017; Al-Rassas and Kamardin, 2022 reported significant influence of audit quality on earnings management supporting the idea and assumption of agency theory that engagement of larger or more independent audit firms for audit service quality may discourage opportunistic reporting.

Despite this growing body of literature, there remains a lack of consensus on how and to what extent these CEO traits influence earnings management practice. In addition, these literatures yet to explored the combined effect of CEOs characteristics and audit quality on earnings management.

### OBJECTIVE OF THE STUDY

The main objective of this study therefore, is to examine the moderating effect of CEOs' characteristics, audit quality and earnings management of listed deposit money banks in Nigeria

### HYPOTHESES

In order to achieve the objective of the study, the following hypotheses were formulated in null forms:

1.  $H_{01}$ : CEOs' Age has no significant effect on

earnings management of listed Deposit Money Banks (DMBs) in Nigeria.

2.  $H_{02}$ : CEOs' gender has no significant effect on earnings management of listed Deposit Money Banks (DMBs) in Nigeria.
3.  $H_{03}$ : CEOs' compensation has no significant effect on earnings management of listed Deposit Money Banks (DMBs) in Nigeria.
4.  $H_{04}$ : CEOs' reputation has no significant effect on earnings management of listed Deposit Money Banks (DMBs) in Nigeria.
5.  $H_{05}$ : Audit quality has no significant effect on earnings management of listed Deposit Money Banks (DMBs) in Nigeria.

### LITERATURE REVIEW

Concept of CEOs' characteristics

Financial reporting practice has become serious issue due to the way and manner corporate organizations have continuously engage in unacceptable practice that have been described and labeled as financial statement fraud, unethical accounting practice, corporate fraud, earnings smoothing and most popular, earnings management.

Elizabeth et al. (2022) described earnings management (EM) as creative accounting or aggressive accounting. Creative accounting is a means through which the preparers of financial statements employed accounting practice which deviates from established accounting practice. Anderson (2021) defined earnings management as a tactic employed by a company's management to intentionally adjust the company's earnings in order to align the figures with a predetermined target.

Additionally, Cookie jar reserves, as outlined by Levitt (2018), involve the use of unrealistic assumptions in estimating liabilities such as warranty costs and potential sales returns. This leads to overstated values during favorable periods, with subsequent reversals during downturns serving to bolster profits.

The idea behind the income smoothing is that the CEOs' smoothes earnings by maintaining it at the same level for several years and thus giving the idea of a constant earnings growth. The CEOs' may delay income recognition (understate) when the firm is over performing and shift income forward when the firm is underperforming (Gaver et al., 1995). This way, the manager leads shareholders to believe that the value of their shares will constantly increase in the future.

Detection of the presence of earning management practices in a financial report largely depends on methodology or model employed.

In a specific term, banking sectors usually faced with

credit risk as a result of nature of its operation. Credit risk usually arise when individual, corporate organization, government entity that are granted loan facilities by banks fail to settle the obligations as at when due. In reducing credit risk, banks in principle set out a specific portion of the money as an absorber to reduce predictable losses on banks' loan portfolios through accounting adjustment.

The term "CEOs' age" describes the age in years of the organization's chief executive officer.

The age of a CEOs' is sometimes regarded as a significant variable that can affect a number of areas of a company's performance, decision-making, and operations. The management of a company's earnings is significantly impacted by the age of the chief executive officer (CEOs'). An organization's performance and strategic direction are impacted by this. Younger chief executive officers are frequently linked to increased risk-taking and a heightened emphasis on immediate results (Barker and Mueller, 2002; Serfling, 2014). Because younger CEOs' may be more likely to use aggressive accounting techniques to fulfill earnings targets and present an image of great performance, this could result in a larger inclination for earnings management (Huang et al., 2012). Younger CEOs' may be motivated to falsify reported earnings in order to build their reputation and maintain their position (Hambrick and Mason, 1984).

Collins (2020) defined CEOs' gender as the state of being male or female in relation to the social and cultural roles that are considered appropriate for men and women. Similarly, gender can be characterized as women, men, girls and boys that are socially constructed. This also includes norms, behaviours and roles associated with being a woman, man, girl or boy, as well as relationships with each other. As a social construct, gender varies from society to society and can change over time. Gender interacts with but is different from sex, which refers to the different biological and physiological characteristics of females, males and intersex persons, such as chromosomes, hormones and reproductive organs. Gender and sex are related to but different from gender identity. Gender identity refers to a person's deeply felt, internal and individual experience of gender, which may or may not correspond to the person's physiology or designated sex at birth (Beget, 2021). Bravo-Baumann, (2020) conceptualized CEOs' gender as the relationship between men and women, both perceptual and material. Gender is not determined biologically, as a result of sexual characteristics of either women or men, but is constructed socially.

Executive compensation can be defined as a payment earned by the executive officer of a company (Abu-

Serdaneh and Ghazalat 2022). Similarly, John (2019) stated that CEOs' compensation is the financial remuneration granted to an individual in return for their services. This encompasses not only salary or wages but also includes commissions, incentives, and any additional perks associated with the employee's role. It is a reward given to an employee for their services or contributions to a business, which can involve time, knowledge, skills, abilities, and dedication to the company or a specific project. In simpler terms, compensation refers to the monetary payment an employee receives from an employer in the form of salary or wages. It is a structured approach to assigning financial value to the work performed by employees and serves various purposes, such as aiding in recruitment, influencing job performance, and contributing to job satisfaction (Almeida and Ferreira, 2019). Furthermore, compensation management, as outlined by Dalziel in 2018, entails the process of ensuring that an organization's pay and benefits programs align with business objectives, offering fair, consistent, and equitable compensation and benefits to employees.

According to Grinstein (2005) compensation often consisted of salaries, operational bonuses, share and/or stock call options in the company stock paying expenses like insurance or perks. Thus, it indicates the remunerations and benefits in all forms accrued to the higher management of a company, especially the board of directors as well as the chief executive officers (CEOs's). For the purpose of this study, bonus as a form of CEOs' compensation will be employed.

CEOs' Reputation refers to the perception of a Chief Executive Officer's (CEOs') character, competence, and leadership qualities as viewed by various stakeholders, such as investors, employees, and the general public (Fombrun and Shanley, 1990; Milbourn, 2003).

The concept of CEOs' reputation is grounded in the idea that CEOs' possess unique human capital and that their reputations can influence a firm's financial and non-financial performance (Hambrick and Mason, 1984; Milbourn, 2003). A CEOs' reputation is typically built over time and can be influenced by factors such as the CEOs' past successes, media coverage, and perceived integrity (Milbourn, 2003; Musteen et al., 2010).

Provision of audit service is statutorily required and expression of professional opinion by an independent body on the true and fair view of a financial statement prepared and submitted by management of a firm is very paramount to all stakeholders to make informed decision. The attestation of audit opinion on the correctness of the figures in the financial statement gives confidence and certain level of assurance to those that will affected by the firm decision and

actions thereby reducing information asymmetry problem between management and stakeholders. In view of this, audit quality is defined as the extent of excellence demonstrated in the audit process Faiza and Nur (2023). Similarly, Manh Dog (2019) articulated it as factors contributing to the probability of the auditor achieving reasonable assurance that the financial report is devoid of significant misstatements, and any detected deficiencies are either rectified or communicated in the audit report.

Assessing quality of external audit is challenging and quite tricky because the external user cannot assess auditor's working papers as a result of confidentiality. Aside, audit reports are often standardized in content and wording to extent of discovering little or no differentiation (Manita and Chemangui, 2007). In response to these limitations as regards measurement of audit quality, many proxies been developed to measure audit quality. It has been proxy broadly on the basis of competence (using criteria such as membership of the auditor to the "big four", compliance with stages of audit process, audit timetable and time allowed for auditing assignment), while for independence, the criteria such audit fee, joint auditing, mandate duration or audit tenure, audit size, key audit matters disclosure and provision of other service by auditor are often used (Okechekwu et. al. 2022; McNichols 2022; Krishnan 2023; Lin and Yen, 2022).

## REVIEW OF EMPIRICAL LITERATURE

Fivi and Riska (2022) conducted an investigation into the influence of CEOs' age on earnings management. The study utilized panel regression analysis based on data collected from 23 companies in the consumer industry sector listed on the Indonesia Stock Exchange from 2016 to 2020. The results revealed that specific CEOs' attributes, such as age can be catalysts for earnings management.

Lodikero et al. (2022) examined the CEOs' age and earnings management in Nigeria. Secondary data were used for a for a 10-year period (2012-2021), the study and the data were sourced from annual reports of 13 deposit money banks listed on the Nigeria Exchange Group (NEG) as at 31st December, 2021. The study utilized panel data analysis with the application of ordinary least square (OLS) regression to test the hypotheses and to ascertain the significant relationship between CEOs' characteristics such as age and earnings management of listed deposit money banks in Nigeria. The findings revealed a significant negative relationship between CEOs' age and earnings management. The study concludes that CEOs' age are the strong drivers of earnings management. Therefore, the study recommends that listed deposit money banks in Nigeria should focus on CEOs' age as the major criteria for CEOs' selection or reselection. In contrast, Putri and Rusmanto (2019) investigated

the Impact of CEOs' age on Earnings Per Share and Earnings Management. The research samples are 104 manufacture companies listed in the Indonesian Stock Exchange 2013-2017. Hypotheses test use multiple regression. The result shows that CEOs' age has no effect on both accrual earnings management and real earnings management.

Ahmad et al (2021) assessed the impact of CEOs' gender diversity on earnings management in selected companies in France. The study used panel regression analyses on the data collected from 130 French companies over a period of four years. The findings reported a significant positive relationship between male CEOs' and earnings management than female CEOs'.

Similarly, Alshaadi et al. (2021) investigated the influences of CEOs' gender on earnings management within publicly traded companies in Nigeria. They collected data from the annual reports and accounts of 18 financial enterprises listed on the Nigerian Exchange Group spanning from 2012 to 2017. The study utilized the modified Jones model's discretionary accruals to evaluate CEOs' gender as an independent variable. The results supported that CEOs' gender has a statistically significant and positive effect on earnings management.

But contrary to the findings of Alshaadi et al. (2021), Ashafoke et al. (2021) explored the effect of CEOs' characteristics on financial reporting quality of listed financial firms. This research, with a sample of 15 firms operating in Nigeria's financial institutions from 2008 - 2019, drew insights from the upper echelon theory to investigate the effect of CEOs' characteristics on the financial reporting quality. CEOs' characteristics were measured using variables such as CEOs' gender and CEOs' tenure. The data were analysed using the panel regression analysis. Empirically, the results showed that there is a positive and insignificant relationship between the CEOs' gender and financial reporting quality.

Uddin (2024) examined the impact of CEOs' compensation on earnings management and the moderating role of COVID-19 pandemic on this connection using accrual and real earnings management techniques in an emerging economy context. The annual reports of non-financial enterprises in Bangladesh from 2011 to 2021 have been analyzed in order to compile the data being collected. The methodologies of accrual and real earnings management are utilized in the beginning stages of the study in order to measure earnings management. Following this, the research employs the ordinary least square model in order to determine the findings of the regression. According to the findings of the study, there is a negative correlation between the compensation of CEOs' and both accrual

and real earnings management.

Rizua et al. (2022) employed the fixed-effect model to investigate the effect of CEOs' remuneration and earnings management: The moderating effect of audit fee among the listed companies in Malaysia. The study revealed a positive relationship between the CEOs' remuneration and earnings management. However, document a positive effect of the combined influence of CEOs' remuneration and audit fees on earnings management when the study used the modified Jones model to measure the discretionary accruals and a negative association when the study used the Kothari model to measure the discretionary accruals. This implies that different model of measuring earning management can give a different result when moderating variable is introduced.

Also, Elizabeth et al. (2021) examined the effect of CEOs' Compensation on Earnings Management in Indonesia. The study collected secondary data from 217 non-financial companies listed in Indonesia Stock Exchange (IDX) between 2019 and 2020. The data was analyse using panel data regression. The study revealed that the more compensation a CEOs' receives, the less inclined they are to do earnings management. However, in companies with high leverage, this correlation weakens; meaning CEOs' would be more willing to manage earnings.

Edi and Venorika (2023) analyze the effect of internal control and financial distress on earnings management and add the CEOs' reputation as a moderating variable. The object of this study is to determine the companies that listed on Indonesia Stock Exchanges between 2019 and 2020. The research data were tested and analyzed using panel regression analysis on SmartPLS software. This research used accrual earnings management to measure the earnings management, springate model to measure financial distress, internal control index to measure internal control and CEOs' reputation index is used to measure CEOs' reputation. The research results found that financial distress and internal control positively affect earnings management. In addition, this research results also found that a CEOs' reputation can have a moderately significant and positive effect on the relationship between financial distress and earnings management.

Ademola (2024) examined how CEOs' reputation influences earnings management practice. The study integrated Eisenegger and Imhof's (EI) reputation theory and the reputation-building hypothesis to explore how corporate reputation (CREP) concerns constrain real earnings management (REM). The study empirically tests the combined and individual effects of the dimensions of Eisenegger and Imhof's corporate reputation theory on real earnings management practices. The study used the least-square dummy variable (LSDV) two-way fixed effects estimator on a panel data constructed from 203

non-financial firms listed in 12 sub-Saharan African stock exchanges from 2014 to 2020. The study provides empirical evidence that CREP, consistent with Eisenegger and Imhof's reputation theory, curtails REM practices. Functional, social, and expressive reputation concerns reduce the managerial tendency to manipulate real activities, while considering other REM influencing factors. This result is consistent across REM components, country-level analysis, and endogeneity tests.

Salem, et al. (2021) examined the impact of audit quality on earnings management through loan loss provisions among both conventional and Islamic banks operating in MENA countries. Using the Generalised Method of Moments (GMM) and Random Effects, the study found that Big-4, co-audit, audit committee size, and audit committee independence restrain earnings management practices of Islamic bank managers. In contrast, audit committee mechanisms do not influence earnings management practices in conventional banks. The result also found that the extent of earnings management is lower in Islamic banks operating in countries experiencing turmoil as compared to conventional banks.

Kaviani and Jafari (2025) investigated the relationship between audit quality and earnings management, based on Loan Loss Provisions (LLPs), in fifteen (15) active banks listed on the Tehran Stock Exchange from 2010 to 2024. By analyzing data from these sample banks, this study evaluates the impact of various factors on Earnings Management Practices (EMP), including audit firm size, auditor tenure, and auditor specialization in the banking industry. The results indicate a significantly negative relationship between audit firm size and earnings management, suggesting that banks audited by larger firms are less likely to engage in earnings manipulation.

## THEORETICAL REVIEWS

This study is anchored on both Upper Echelon Theory and Agency theory to underpin studies on CEOs characteristics and Audit Quality on Earnings Management.

**The Upper Echelons Theory (UET):** The Upper Echelons Theory (UET) was first put forward by Hambrick and Mason (1984) as a means of providing a new insight on organizations' act as they do and why organizations perform the way they do. At the heart of UET lies the proposition that senior-level executives' cognitive base and values, reflected in observable characteristics such as age and education, gender, experience and socio-economic background affect how they interpret and respond to strategic and operational situations through their choices, thereby influencing various organizational outcome (Hambrick and Mason, 1984). In a more precise way, the upper echelons assumes that senior managers'

cognitive base and values become reflected in strategic and operational choice and that observable demographic characteristics are reliable indicators of executives' cognitive frames and, as a result, can be used to predict those choices. It helps to explain the connection between the attributes of CEOs and earnings management. It suggested that CEOs characteristics help to reduce the earnings management practices of listed deposit money banks in Nigeria.

**Agency Theory:** Agency Theory by Jensen and Meckling, 1976 offers a reach theoretical premise for understanding organization process and design from principal-agent perspective (Subramanian, 2006). Accordingly, Jensen and Meckling (1976) gave a description of principal- agent relationship as an engagement or a contract where single individual or more, refer to Principal, engage another individual refer to Agent to carry out some services on their behalf which entail delegation of decision authority to the Agent. The main goal of theory is to offer an explanation about how the relationship between the principal and agent can be designed optimally by offering fundamental assumptions about the parties involved and the organization (Eisenhardt, 1989).

The consequence of these assumptions has been described as “agency problem” (Jensen and Meckling 1976). Two specific type of agency problem have been identified in the literatures. These are: Adverse selection and Moral hazard. Gobel (2006) describes adverse selection as the problem of not being able to observe agent attributes prior to contracting. In this situation, the principal is unable to determine the capability, the competence and effort that the agent may possessed. Subramanian (2006) gives instance where agent taste or job itself is so highly complex that the principal is not able to verify agent attribute at the point of hiring.

## METHODOLOGY

This research work adopted ex-facto design to examining the effect of CEOs characteristic and Audit quality on Earnings Management in listed deposit money banks in Nigeria. Ex-post facto research design uses data already in existence but not necessarily amassed for research purposes. It is considered suitable for this study because it is a substitute for true experimental research and can be used to test hypotheses about cause-and-effect or correlational relationship.

The study relies on secondary data which was collected through annual reports and financial statements of listed deposit money banks in Nigeria from 2009 to 2023 (15 years). The choice of this method is premised on the fact that data relating to CEOs' characteristics and measurement of earning management practice can be accessed through financial statement because of the regulatory

disclosure requirement and the structure of audit report therein. These reports were accessed and downloaded from the website of listed money banks in Nigeria and Central Bank of Nigeria (CBN). In instances where the required financial statements were unavailable on the CBN website, it was obtained directly from the website of the listed banks. Upon collection of the data, the collected data was processed to obtain both the dependent and independent variables.

For the purpose of this study, measure of central tendency, mean and standard deviation was employed to describe the pattern of the research variables, while inferential statistics; panel data regression technique was used to test the formulated hypotheses because the study covered 13 listed deposit money banks on Nigeria Exchange Group (NGX) for period of 15 years (2009-2023). Panel data consists of time series and cross-sectional data about the objects (Gujarati and Porter, 2019).

Pair wise correlation test was conducted to assess the strength and direction of the relationship among the variables used in the study. The study also conducted a multicollinearity test among the independent variables in order to ensure that two or more variables are not explaining the same thing. A variable with variance inflation factor (VIF) above 5, indicates a problem of multicollinearity among the independent variables hence such variable will be dropped for the others (Gujarati, 2004). In addition, this study used Breusch and Pagan Lagrangian Multiplier test to identify the presence of heteroscedasticity. The assumption is that if error terms do not have constant variance, they are said to be heteroscedastic and vice-versa (Williams, 2015). Hausman test was carried out in order to ascertain the regression result that best suit the hypothesis of the study between random effect and fixed effect regression model. This is applicable when panel data is used. Random effect is appropriate if the p-value is greater than 5% level of significance but fixed-effect regression is appropriate in testing the hypothesis if p-value is less than 5% significance level. Lastly, the study employed Skewness and Kurtosis to test normality of data collected (Tabachnick and Fidell, 2013).

## 3.5.2 MODEL SPECIFICATION

Given the prediction of UET as well that of agency theory and a-prior expectation on both dependent variable (earnings management and independent variables (CEOS' age, gender, tenure, compensation, ownership and reputation) and audit quality, the model was as stated below. The model was adopted from Farouk and Ahmed (2023) with little modification.

$$EM = f(\text{CEOS' Age, CEOS' Gen, CEOS' Com, CEOS' Rep, AudQ})$$

This model is written in econometric form as



$EM_{it} = a_i + \beta_1 \text{CEOS' Age}_{it} + \beta_2 \text{CEOS' Gen}_{it} + \beta_3 \text{CEOS' Com}_{it} + \beta_4 \text{CEOS' Rep}_{it} + \beta_5 \text{AudQ}_{it} + \varepsilon_{it}$   
 Where: EM stand for Earnings Management (measured through discretionary Loan Loss Provision),  $\text{CEOS' Age}_{it}$  represents Age of Chief Executive Officers,  $\text{CEOS' Gen}_{it}$  indicates Chief Executive Officers' Gender,  $\text{CEOS' Com}_{it}$  represent Chief Executive Officers' Compensation,  $\text{CEOS' Rep}_{it}$  indicates Chief Executive Officers' Reputation and  $\text{AudQ}_{it}$  signified Audit Quality while  $a_i$  intercept of the model,  $\beta$ , Coefficient of each independent variable in the model and  $\varepsilon_{it}$  refers to error term.

The a-priori expectation of the model is a negative relationship between the dependent variable and independent variables, i.e.  $\beta_1 < 0, \beta_2 < 0, \beta_3 < 0, \beta_4 < 0, \beta_5 < 0, \leq 0$ .

**Table 1.**  
**Variables Definition and Measurement**

Variables	Proxies	Measurement	Source
Earnings Management	Loan loss provision	Chang et al (2008)	Farouk and Ahmed (2023); Uwuigbe et al., (2015); Okpala (2019)
CEOs' Age	Age of CEOs'	Number of year from birth of the CEOs' to year of assessment.	Barker and Mueller, (2002); Serfling (2014)
CEOs' Gender	Male and Female	Female CEOs' is represented by 1 while 0 for male counterpart.	Scholarone, (2019); Amelia and Eriandani (2021)
CEOs' Compensation.	Bonus awarded.	1 is used when CEO is awarded bonus in the year of assessment and 0 if otherwise	Fombrun and Shanley (1990); Milbourn (2003)
CEOs' Reputation	Number of academic qualifications, Professional associations and national honour awarded.	Total numbers of these parameter divided by 10.	Edi and Venorika (2022); Manh Dog (2019)
Audit Quality	Audit size.	The size of audit firm is an indicator variable that is equal to one if the DMB is being audited by big4 Audit firm in the year of assessment and zero if otherwise.	Suleiman and Yusuf (2024); McNichols (2022); Krishnan (2023)

Source: Compiled by the Author

**RESULT AND DISCUSSION**

The descriptive analysis which focused on the mean, standard deviation, minimum and maximum values of

the data collected. It shows the summary of the large set of data collected from the annual reports of the sample listed deposit money banks.



**Table 2 Descriptive Statistics**

Variable	Mean	Std. Dev	Minimum	Maximum	No. of Obs.
EMGT	0.005	0.071	0.000	0.530	195
CEOAGE	50.882	5.129	35	62	195
CEOGEN	0.118	0.323	0	1	195
CEOCOM	0.785	0.412	0	1	195
CEOREP	0.660	0.066	0.5	0.8	195
AUDQ	0.949	0.221	0	1	195

Source: Compiled by the Author

The result in table 2 depicts that earnings management measured via loan loss provisioning has a mean value of 0.005, maximum value of 0.53 and minimum figure of 0.040. This suggests that on average, most of the listed deposit banks that form the study sample size were not engaged in significant earnings management practice. The maximum value of 0.53 shows that some banks engaged in significant earnings manipulation potentially using loan loss provision while the minimum value of 0.00 suggests that some banks in the ample are not engage in unethical financial practice.

It can also be deduced that the result on CEO age shows a mean value of 50.882 with minimum and maximum values of 35 and 62 respectively. This implies that on average, the range of the CEOs' age of the sampled banks fall within the age bracket of 51 years. The minimum value indicated that the youngest CEO under study is 35 years while the oldest is 62 years of age. This implies that the CEOs of the sampled bank are old enough to make decision on their own due to their level of maturity.

In addition, the result in table 2 also revealed that CEO gender has a mean value of 0.118 with minimum and maximum values of 0 and 1 respectively. This implies that on average, out of the total number of CEOs' of the sampled banks, 11% represents female CEOs' during the period under study while 89% of the total number of CEOs' are male.

It could also be deduced that CEO compensation has an average value of 0.785 with minimum and maximum values of 0 and 1 respectively. This means that most of CEOs get bonus during the years under review. The minimum value of 0 indicated that some CEOs did not get compensation in form of bonus. The result of CEO reputation proxy with summated index of three parameters (qualification, Professional association and national honour), revealed that on average, CEOs reputation has a mean score of 66.0% which implies that most of the CEOs of sampled banks have good reputation as shown by mean value of 0.660. The minimum value of 0.50 implies that some CEOs have considerable academic and professional qualifications with national honor as an integrity individual in the society during the year while the maximum value of 0.8 indicated that a CEO with the highest reputation has an index score of 80%. These showed that most of the CEOs have required qualifications (both academic and professional) and national honor.

The results on audit quality revealed a mean value of 0.949 with minimum and maximum value of 0 and 1 respectively. The mean value of 0.949 represents that all the sampled banks employed the service of Big4 audit firms during the years under review. The minimum value of 0 indicates that some banks made did not engaged the service of Big4 audit firms and maximum value of 1 represents engagement of Big4 audit firms' services by some listed deposit money banks during year under review.

**Table 3 Pair-wise Correlation Matrix**

Variable	EMGT	CEOAGE	CEOGEN	CEOREP	AUDQ
EMGT	1				
CEOAGE	-0.053 (0.474)	1			
CEOGEN	-0.080 (0.269)	0.010 (0.882)	1		
CEOCOM	0.090 (0.219)	0.274 (0.000)*	0.178 (0.015)*		
CEOREP	0.081 (0.263)	0.271 (0.000)**	-0.115 (0.115)	1	
AUDQ	0.090 (0.219)	0.137 (0.061)	-0.273 (0.000)*	-0.099 (0.166)	1

Source: Stata Output 2025

The result in Table 3 depicts the correlation analysis to assess the strength and direction of the relationship among the variables used in the study. The rule of thumb is that if two variables have correlation of 0.8, there is severe collinearity problem. The results indicated that none of the variables has correlation issues as all the variables had less than the threshold of 0.8. The results show that all the explanatory variables

are positively correlated with the explained variable except the CEO age that exhibits a negative relationship toward earnings management. The result also revealed that the relationship among the explanatory variables are moderately low indicating stable coefficients as well as balanced statistical power in producing reliable results.

**Table 4 Fixed Effects Regression Result**

Variable	Coefficient	Std. Error	T-Statistics	P-Value
CEOAGE	5.173	1.863	2.78	0.015
CEOGEN	-6.342	7.530	-0.94	0.414
CEOCOM	39.697	11.190	3.55	0.003
CEOREP	169.412	54.669	-3.10	0.008
AUDQ	58.545	22.438	2.61	0.021
C	-261.868	94.008	-2.79	0.015
R-SQUARED	0.670			
ADJ. R-SQUARED	0.611			
F-STATISTICS	9.86	0.000		

Source: Stata Output 2025

Prior to testing of the hypotheses, fitness of the model needs to be ascertained. This is done with the application of the F-statistics and its p-value. It could be deduced from the result in table 4 that the model of the study is fitted as the result of the F-statistics has 9.86 as coefficient with p-value of 0.000 at 5% level of significance. In addition, the result of the adjusted R-square has a coefficient value of 0.611 which implies that the independent variables explained around 61.1% of the variation of the dependent variables. The remaining 38.9% represents other CEO attributes that were not considered in this study. This study used t-value to ascertain the direction of the relationship between independent and dependent variables while acceptance or rejection of hypotheses was based on 5% level of significance.

#### CEO age and Earnings Management

Based on the result in table 4, it could be seen that CEO's age has a t-value of 2.78 with p-value of 0.015 at 5% level of significance. This implies that CEO's age has a positive and significant effect on earnings management (loan loss provision) of deposit money banks in Nigeria. This indicates that the older the CEO of DMBs, the higher the level of earnings management through the application of loan loss provisioning. This result thereby leads to the rejection of the null hypothesis which states that there is no significant relationship between age of CEOs' age and earning management practices among the listed Deposit Money Banks (DMBs) in Nigeria and consequently acceptance of the alternative hypothesis.

#### CEO Gender and Earnings Management

The result in table 4 showed that CEO gender has a negative relationship with earnings management but has an insignificant effect as shown by t-value of -0.94 with p-value of 0.414 at 5% level of significance. This indicates that CEO gender does not influence the level of earnings management practice of deposit money banks in Nigeria. The outcome led to the acceptance of the null hypothesis which posited that CEOs' gender does not significantly influence earning management practices among the listed Deposit Money Banks (DMBs) in Nigeria. This implies that whether the CEO is a male or female, it would not have any influence earnings management practice of listed deposit money banks in Nigeria.

#### CEO Compensation and Earnings Management

The result in table 4 revealed that CEO compensation has a positive and significant effect on earnings management of deposit money banks in Nigeria as supported by t-value of 3.55 and p-value of 0.003 at 5% significance level. This indicates that the higher the compensation in form of bonus received by the CEO, the higher the chances of engaging in unethical financial practices by CEOs' of listed of banks through the use of loan loss provisioning. This lead to the rejection of the null hypothesis which states that CEOs' compensation (measured through bonus received by CEO during the year) has no significant relationship with earning management practices among the listed Deposit Money Banks (DMBs) in Nigeria.

### CEO Reputation and Earnings Management

The result in table 4 depicts that CEO reputation has a negative and significant relationship with earnings management of deposit money banks in Nigeria as shown by t-value of -3.10 and p-value 0.008 at 5% significance level. This implies that the higher the reputation of the CEO in terms of his education, professionals association and national honours, it will reduce the level of earnings management practice of deposit money banks in Nigeria. This leads to the rejection of the null hypothesis and subsequently acceptance of the alternative hypothesis. The alternative hypothesis posits that CEOs' reputation significantly affect earning management among the listed Deposit Money Banks (DMBs) in Nigeria.

### Audit Quality and Earnings Management

It could be seen from the results in table 4 that audit quality, the moderating variable, has a positive and significant relationship with earnings management of deposit money banks in Nigeria as supported by t-value of 2.61 with p-value of 0.021 at 5% level of significance. This implies that as the quality of audit service rendered by the external auditor improves, the higher the level of earnings management practice of deposit money banks. The result consequently led to the rejection of the null hypothesis and acceptance of the alternative hypothesis. The alternative hypothesis states that audit quality has significant impact on earning management among the listed Deposit Money Banks (DMBs) in Nigeria.

### Discussion

After the analysis of data gathered through the financial statements of the sampled listed deposit money banks in Nigeria, the empirical findings of the research revealed that CEO attributes such as age, compensation, ownership and reputation have influence on the level of earnings management practices but found that CEO gender and tenure did not have significant influence on earnings management practice of the sampled listed DMBs.

### CEOs' Age and Earnings Management

It was found that CEO age has a positive and significant effect on earnings management practice of listed deposit money banks in Nigeria. This indicates the older the CEO, the higher the level of earnings management practice via loan loss provision of DMBs in Nigeria. The result implies that an older CEO due to his experience gathered through various place of work and exposure in life could make CEO to adopt loan loss provision in managing the earnings of banks. In addition, due to their old age, older CEOs would be thinking of their welfares and sustainability after retirement in which the current remuneration may not provide enough for that period, thereby taking high risks which could prompt them to engaging in earnings management practices for their self interests. The result could also imply that the older the CEO, the

more he is being able to study the various ways in which loan loss provisioning can be modified to managed earnings which could bring more reward to him.

The results concur with the assumption of upper echelon theory which posits that senior managers' cognitive base and values become reflected in strategic and operational choice and that observable demographic characteristics (like age) are reliable indicators of executives' cognitive frames and, as a result, can be used to predict those choices (either for self-interest or growth of banks). This indicates that age of the CEO, being the top executive overseeing the daily operations of banks, plays a significant role in the level of earnings management practice of DMBs in Nigeria. The result contradicts the a-priori expectation as the researcher predicted that older CEOs tend to be risk averse thereby have low appetite for earnings management practice.

The result of the study on CEO age and earnings management corroborates with the arguments of Fivi and Riska (2022) where they argued that older CEOs tend to engage more in earnings management practices due to their experience and preparation for retirement. In contrast, the studies of Le et al. (2020); Lodikero, et al. (2022), Salsabilla, et al. (2024) and Budiyati and Wijaya (2023) who argued that older CEOs are tend to be more conservative, prevent their good reputations and more ethical than younger CEOs, thereby reducing the level of earnings management practice.

### CEOs' Gender and Earnings Management

The result of this study revealed that CEOs' gender has no significant influence on earnings management. This implies that irrespective of category of CEOs, be male or female CEOs does not contribute to the strength of earning management. The results contradict the assumption of upper echelon theory which posits that senior managers' cognitive base and values become reflected in strategic and operational choice and that observable demographic characteristics (gender) are reliable indicators of executives' cognitive frames and, as a result, can be used to predict those choices. This result is in line with the findings of Lodikero et al. (2022); Amelia and Eriandani (2021); Ashafoke et al. (2021) while in disparity with result of Usman et al. (2024); Marwan et al. (2022); Ahmad et. al (2021) that emphasized on the gender consideration for the position of CEOs'.

### CEOs' Compensation and Earnings Management

The result of the study also revealed that CEO compensation has a positive and significant effect on earnings management. This implies that the more incentive the CEO receives, the more he is encourage to engage in earnings management practice via the application of loan loss provisioning among listed

DMBs in Nigeria. This could arise when the reward or other bonuses is attached to the performance of the bank during a year. Therefore, due to self interest of the CEO, he could find a way to manage the earnings by applying different methodologies of loan loss provisioning on yearly basis because he knows that he would be rewarded (either by cash or stock/shares) thereby leading to addition bonding cost on the part of the DMBs.

The result contradicts the prediction of the agency theory as predicted in this study because it was postulated that two agency problems (adverse selection and moral hazard) cause by information asymmetry can be resolved or managed through better incentive system to the CEO. The result also is not in line with the a-priori expectation as the researcher expects that good incentive systems provided to CEO and also given the opportunity of converting his bonus to stock/shares thereby making him as one of the shareholders would make him to refrain from earnings management practice.

The result confirmed the outcomes of Jamal, et al. (2022) and Ogundele, et al. (2024) as they argued that top managers with substantial ownership structure in an organization, seeking to maximize personal interests, has high tendency of manipulating earnings opportunistically by exploiting loopholes in compensation contracts to the detriment of minority interests. In contrast, the result is not in line with the arguments of Farouk and Ahmed (2023) as they argued that effective compensation to the executives would reduce earnings management practice.

### **CEOs' Reputation and Earnings Management**

The study also reported that CEO reputation has a negative and significant effect on earnings management of listed deposit money banks in Nigeria. This indicates that a CEO that holds professional qualification (such as ICAN, ANAN, ACIT, CIB, amongst others) will not engage in earnings management practice in order to prevent his license/certificate being seized and paint him black by the professional body. This will not only have effect on his present but also future engagements or possibility of being selected into any top office. In addition, a CEO that has been given a national honour has high tendency of refraining from engaging in earnings management practices as this may dent his reputation in both present and future endeavours.

The result confirmed the argument of the agency theory as it assumed that one of the ways to reduce moral hazards of the agent (management) is to appoint a CEO that has relevant qualifications, being a member of highly reputable professional body as this may determine the level of integrity of the CEO, thereby reducing the application of various form of earnings management practices to improve the

performance of banks. The study concurs with the a-priori expectation of the researcher as he expects that a reputable CEO would not want to engage in activities that will tarnish his image hence refrain from any form earnings management practices.

The result of the study corroborates with the findings of Zouari, et al. (2022) and Ademola (2024) who argued that CEOs value their reputation and do all means to protect it, thereby making them to refrain from engaging in earnings management practices while holding the office. In contrast, the finding of Edi and Venorika (2023) revealed that CEO reputation would worsen and prompt CEO to engage in earnings management practice.

### **Audit Quality and Earnings Management**

Audit quality was found to aggravate earnings management of listed DMBs in Nigeria. This indicates that DMBs that are audited by one of the Big4 four (Big4) audit firms tend to present and publish a financial statement that does not contain a true and fair view of the statement of financial position, statement of performance and cash flow statement thereby making various stakeholders to make wrong decisions due to false information at their disposals. This may be ascribed to client influence and lack of adequate regulatory backing for auditing firms in Nigeria. Various reported case of accounting manipulations which have been occurring in the two to three decades experienced by entities audited by Big4 audit firms. Most of these firms have faced litigations due to their negligence.

The result failed to conform to the assumption of agency theory which postulates that the presence of an independent body to examine the contents of the financial statement with its supporting documents will prevent the management of firms to engage in earnings management practices. The outcome concurred with the findings of Chowdhury and Yasser (2021); Awuye (2022); Ozili (2022); and Velte (2025) as they argued audit firm size worsen and give room to the management of firms to engage in earnings management practice but contradict the findings of Le and Moore (2023); Sulieman, et al. (2024); Bawah (2024); Krismiaji, et al. (2024); and Kaviani and Jafari (2025) where they asserted that employing the service of Big4 audit firms for external audit service reduces the level of earnings management and refrain management from adopting loan loss provision in earned managed firms profitability.

### **CONCLUSION AND RECOMMENDATION**

Based on the overall empirical results of the study, it can be concluded that CEOs' characteristic significantly affect the level of earnings management practices through loan loss provisioning among listed deposit money banks in Nigeria. Considering impact of each CEOs' attributes, the study concluded that:

- i. CEO's age increases the chances of engaging in earnings management practice among listed deposit money banks in Nigeria. This implies that the older the CEO, the more he is exposed and gained experiences in managing the earnings of deposit money banks to achieve some intended purposes;
- ii. CEO compensation has a high tendency of increasing the level at which CEOs employ loan loss provision to manage the earnings of listed deposit money banks in Nigeria. This implies that in a bid to earn better compensation, a CEO would engage in earnings management practice without considering the stakeholders that need the information for various decision making;
- iii. CEO reputation has negative influence on earnings management practice of listed deposit money banks in Nigeria. This indicates that CEO that with national honor, holds high level of professional qualification(s) will not want to be involved in earnings management practice in order to protect his image;
- iv. Lastly, audit quality revealed significant and positive effect on earnings management. This signified high level of standard compromise on the part of engaged audit firms and the management are being assisted by big4 audit firms in perpetrating this unethical accounting practice.

### RECOMMENDATIONS

Based on the conclusion drawn from the empirical analysis conducted, the following recommendations were made in order to assist the Board of DMBs and practitioners in addressing the earnings management practice among the listed deposit money banks in Nigeria:

- i. Based on the finding of CEO age which showed a positive effect, this recommends that the Board of deposit money banks should appoint a younger CEO as he is unlikely to engage in earnings management practice at early stage of the position. He may have little exposure to the usage of various techniques that can be used to manipulate financial statement. More so, there is higher possibility that younger CEO focused on achieving greater results and used his younger age to work harder.
- ii. As the study found that CEO compensation increases earnings management practice among listed deposit money banks in Nigeria, this study recommends that DMBs' Board should not tie the reward of the CEO to the profit of the bank as this could prompt him to engage in manipulation of figures in

- the financial statement. More so, CEO should be well remunerated and have some other benefits packaged such severance package for retired/outgoing CEOs' as being practice in a developed world to prevent him/her from engaging in any form of dysfunctional behaviour;
- iii. Based on the empirical finding of the study which revealed that CEO reputation reduces earnings management practice, the study recommends that the Board of the DMBs in Nigeria should always appoint an individual with highest academic qualification, professional membership certificates and who has also been awarded with national honour(s) as this could prevent him from engaging in earnings management activities.
- iv. The study found that audit quality (measured by size of audit firm) improves earnings management practice. Therefore, it recommend serious sanction is placed on audit firm that fail to comply with principle of ethics, enforcement of established standard issued by International Auditing Standard Board and the firms be granted statutory/regulatory backing capable to prevent client influence.

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