



Gusau Journal of Accounting and Finance (GUJAF)

Vol. 4 Issue 2, October, 2023 ISSN: 2756-665X

A Publication of
Department of Accounting and Finance,
Faculty of Management and Social Sciences,
Federal University Gusau, Zamfara State -Nigeria

© Department of Accounting and Finance, 2023

Vol. 4 Issue 2
October, 2023
ISSN: 2756-665X

A Publication of
Department of Accounting and Finance,
Faculty of Management and Social Sciences,
Federal University Gusau, Zamfara State -Nigeria

All Rights reserved

Except for academic purposes no part or whole of this publication is allowed to be reproduced, stored in a retrieval system or transmitted in any form or by any means be it mechanical, electrical, photocopying, recording or otherwise, without prior permission of the Copyright owner.

Published and printed by:
Ahmadu Bello University Press Limited, Zaria
Kaduna State, Nigeria.
Tel: 08065949711, 069-879121
e-mail: abupress2013@gmail.com
abupress2020@yahoo.com
Website: www.abupress.com.ng

EDITORIAL BOARD

Editor-in-Chief:

Prof. Shehu Usman Hassan

Department of Accounting, Federal University of Kashere, Gombe State.

Associate Editor:

Dr. Muhammad Mustapha Bagudo

Department of Accounting, Ahmadu Bello University Zaria, Kaduna State.

Managing Editor:

Umar Farouk Abdulkarim

Department of Accounting and Finance, Federal University Gusau, Zamfara State.

Editorial Board

Prof. Ahmad Modu Kumshe

Department of Accounting, University of Maiduguri, Borno State.

Prof Ugochukwu C. Nzewi

Department of Accounting, Paul University Awka, Anambra State.

Prof Kabir Tahir Hamid

Department of Accounting, Bayero University, Kano, Kano State.

Prof. Ekoja B. Ekoja

Department of Accounting, University of Jos.

Prof. Clifford Ofurum

Department of Accounting, University of PortHarcourt, Rivers State.

Prof. Ahmad Bello Dogarawa

Department of Accounting, Ahmadu Bello University Zaria.

Prof. Yusuf. B. Rahman

Department of Accounting, Lagos State University, Lagos State.

Prof. Suleiman A. S. Aruwa

Department of Accounting, Nasarawa State University, Keffi, Nasarawa State.

Prof. Muhammad Junaidu Kurawa

Department of Accounting, Bayero University Kano, Kano State.

Prof. Muhammad Habibu Sabari

Department of Accounting, Ahmadu Bello University, Zaria.

Prof. Okpanachi Joshua

Department of Accounting and Management, Nigerian Defence Academy, Kaduna.

Prof. Hassan Ibrahim

Department of Accounting, IBB University, Lapai, Niger State.

Prof. Ifeoma Mary Okwo

Department of Accounting, Enugu State University of Science and Technology, Enugu State.

Prof. Aminu Isah

Department of Accounting, Bayero University, Kano, Kano State.

Prof. Ahmadu Bello

Department of Accounting, Ahmadu Bello University, Zaria.

Prof. Musa Yelwa Abubakar

Department of Accounting, Usmanu Danfodiyo University, Sokoto State.

Prof. Salisu Abubakar

Department of Accounting, Ahmadu Bello University Zaria, Kaduna State.

Prof. Isaq Alhaji Samaila

Department of Accounting, Bayero University, Kano State.

Dr. Fatima Alfa

Department of Accounting, University of Maiduguri, Borno State.

Dr. Sunusi Sa'ad Ahmad

Department of Accounting, Federal University Dutse, Jigawa State.

Dr. Nasiru A. Ka'oje

Department of Accounting, Usmanu Danfodiyo University Sokoto State.

Dr. Aminu Abdullahi

Department of Accounting, Usmanu Danfodiyo University Sokoto, State.

Dr. OnipeAdebenege Yahaya

Department of Accounting, Nigerian Defence Academy, Kaduna State.

Dr. Saidu Adamu

Department of Accounting, Federal University of Kashere, Gombe State.

Dr. Nasiru Yunusa

Department of Accounting, Ahmadu Bello University Zaria.

Dr. Aisha Nuhu Muhammad

Department of Accounting, Ahmadu Bello University Zaria.

Dr. Lawal Muhammad

Department of Accounting, Ahmadu Bello University Zaria.

Dr. Farouk Adeza

School of Business and Entrepreneurship, American University of Nigeria, Yola.

Dr. Bashir Umar Farouk

Department of Economics, Federal University Gusau, Zamfara State.

Dr Emmanuel Omokhuale

Department of Mathematics, Federal University Gusau, Zamfara. State

ADVISORY BOARD MEMBERS

Prof. Kabiru Isah Dandago, Bayero University Kano, Kano State.

Prof A M Bashir, Usmanu Danfodiyo University Sokoto, Sokoto State.

Prof. Muhammad Tanko, Kaduna State University, Kaduna.

Prof. Bayero A M Sabir, Usmanu Danfodiyo University Sokoto, Sokoto State.

Prof. Aliyu Sulaiman Kantudu, Bayero University Kano, Kano State.

Editorial Secretary

Yazid Ibrahim Kabir

Department of Accounting and Finance, Federal University Gusau, Zamfara State.

CALL FOR PAPERS

The editorial board of Gusau Journal of Accounting and Finance (GUJAF) is hereby inviting authors to submit their unpublished manuscript for publication. The journal is published in two issues of April and October annually. GUJAF is a double-blind peer reviewed journal published by the Department of Accounting and Finance, Faculty of Management and Social Sciences, Federal University Gusau, Zamfara State Nigeria. The Journal accepts papers in all areas of Accounting and Finance for publication which include: Accounting Standards, Accounting Information System, Financial Reporting, Earnings Management, Auditing and Investigation, Auditing and Standards, Public Sector Accounting and Auditing, Taxation and Revenue Administration, Corporate Governance Issues, Corporate Social Responsibility, Sustainability and Environmental Reporting Issue, Information and Communication Technology Issues, Bankruptcy Prediction, Corporate Finance, Personal Finance, Merger and Acquisitions, Capital Structure, Working Capital Management, Enterprises Risk Management, Entrepreneurship, International Business Accounting and Finance, Banking Crises, Bank's Profitability, Risk and Insurance Issue, Islamic Finance, Conventional and Islamic Banks and so forth.

GUIDELINES FOR SUBMISSION AND MANUSCRIPT FORMAT

The submission language is English and must be a well-researched original manuscript that has not previously been submitted elsewhere for publication. The paper should not exceed more than 15 pages on A4 type paper in MS-word format, 1.5-line spacing, 12 Font size in Times new roman. Manuscript should be tested for plagiarism before submission, as the maximum similarity index acceptable by GUJAF is 25 percent. Furthermore, the length of a complete article should not exceed 5000 words including an abstract of not more than 250 words with a minimum of four key words immediately after the abstract. All references including in text citation and reference list, tables and figures should be in line with APA 7th Edition publication manual. Finally, manuscript should be send to our email address elfarouk105@gmail.com and a copy to our website on journals.gujaf.com.ng

PUBLICATION PROCEDURE

After receiving a manuscript that is within the similarity index threshold, a confirmation email will be send together with a request to pay a review proceeding fee. At this point, the editorial board will take a decision on accepting, rejecting or making a resubmission of the manuscript based on the outcome of the double-blind peer review. Those authors whose manuscript were accepted for publication will be asked to pay a publication fee, after effecting all suggested corrections and changes made on the manuscript. All corrected papers returned within the specified time frame will be published in that issue.

PAYMENT DETAILS

Bank: FCMB

Account Number: 7278465011

Account Name: Gusau Journal of Accounting and Finance

FOR INQUIRY

The Head,

Department of Accounting and Finance,

Federal University Gusau, Zamfara State.

elfarouk105@gmail.com

+2348069393824

FOR MORE INFORMATION, CONTACT

The Editor-in-Chief on +2348067766435

The Associate Editor on +2348036057525

OR visit our website on www.gujaf.com.ng or journals.gujaf.com.ng

CONTENTS

Board Characteristics and Financial Performance: Evidence from Listed Deposit Money Banks in Nigeria Abdullahi Bala Ado, Norfadzilah Nik Mohd Rashid, Sa'adatu B. Adam, Binta Abubakar Nuhu, Hassanat Salawu Salihu and Tariro Masunda	1
Welfare, Inflation, and Pension Income Inequality Among the Bottom and Top Income Quintiles and Decile: An Implication of Kaduna State Pension Reform Prof. Salamatu I. Isah, Ibrahim Kekere Sule (PhD)	18
Political Connection, Audit Fees, Audit Quality, and Tax Avoidance Novita Dwi Damayanti, M KhoiruRusydi, WuryanAndayani	31
Firm Attributes and Shareholder's Wealth of Listed Deposit Money Banks in Nigeria A.A. Mustapha, Prof. M.S. Tijjani, S. Salami PhD	47
Financial Determinants of Entrepreneurship in Nigeria Precious Adukwu, Hyeladi Stanley Dibal	67
Work Environment, Remuneration and Accounting Lecturers' Performance in Polytechnics in North West, Nigeria Dr. Aliyu Abdullahi Ahmed, Rabiatu Ahmed	88
Relative Efficiency of the Capital Market Over the Money Market in a Growth-Financing Economy Adedeji Daniel Gbadebo	110
Board Education, Director's Age and Earnings Management of Listed Deposit Money Banks in Nigeria Idris IbrahimPhD, Prof. Luka Mailafia, Salami Suleiman PhD	131
Ownership Concentration's Moderating Effect on Dividend Payout And Tobin's Q in the Nigerian Consumer Goods Sector. Ovbe Simon Akpadaka	149

Foreign Direct Investment, Renewable Energy and Economic Growth: An Empirical Analysis from South Africa.	167
Ahmed Oluwatobi Adekunle	
Impact of Digital Financial Services on Savings Development in Nigeria	182
Iro, Onyinyechi Adanna, Eke, Patrick Omoruyi, Yunisa, Simon Amodu, Shekoni, Nurudeen Adebayo	
Account Receivable Management and Financial Performance of Listed Consumer Goods Firms in Nigeria	209
Umar Suleiman Abubakar Dabai, Biyai Shepnaan, Hajara Abubakar Jimoh, Haruna Halimah Sani Sambo PhD	
Stable Dividend Policy and Value of Listed Healthcare Firms in Nigeria	227
Maimuna Adamu Salihu, Aminu Danladi Ahmad, Zaharaddeen Salisu Maigoshi, Naja'atu Bala Rabi	
The Impact of Monetary Policy on Small and Medium Scale Enterprises (SMES) in the Period of Economic Crises.	240
Ahmed Oluwatobi Adekunle.	
CEO Age and Gender on Financial Distress Likelihood of Listed Deposit Money Banks in Nigeria: Moderated by Risk Committee Gender	254
Idris Mohammed, Joshua Okpanachi, OnipeAdabenege Yahaya, Suleiman Tauhid	

**BOARD EDUCATION, DIRECTOR'S AGE AND EARNINGS
MANAGEMENT OF LISTED DEPOSIT MONEY BANKS IN NIGERIA**

Idris Ibrahim

Department of Accountancy
College of Business and Management Studies
Kaduna Polytechnic Kaduna
+2347039137079, ibrodrix4all@yahoo.com

Salami Suleiman PhD

Department of Accounting
ABU Business School.
Ahmadu Bello University Zaria.
+2348027247501, Suleimanbinsalami@gmail.com

Prof. Luka Mailafia

Department of Accounting
ABU Business School.
Ahmadu Bello University Zaria.
+2348065635743, lumailafia@gmail.com

Abstract

Utilizing a complete nine-year dataset, this research investigates the link among age diversity among directors, board education qualifications, and earnings management in the context of Nigerian listed deposit money banks. The study was conducted from 2013 through 2021, spanning nine years. Agency theory serves as the underpinning framework for this study. Regression analysis yields strong evidence that the age distribution of directors and the board's educational background impact the profit management of these firms. Specifically, earnings management significantly decreases when there are more board members with formal education, particularly in the financial and accounting sectors. Furthermore, a broad age group on the board may hinder profit management due to age-related risk aversion and varied experience. This study sheds important light on the crucial role that board characteristics play in shaping profit management strategies used by Nigerian banks. It also argues that, to improve governance, banks should encourage the appointment of individuals with a background in finance to their boards. Future studies may enhance these and other aspects, given its limitations, including observational data and a sector-specific emphasis, to provide a more thorough understanding of the dynamics of earnings management. This research provides practitioners and policymakers with guidance for efficient corporate governance in Nigerian deposit money firms by highlighting the critical role that board composition plays in profit management techniques.

Keywords: Director's diversity, board education qualifications, earnings management, listed deposit money banks

1. Introduction

Managers engage in earnings manipulation, employing tactics to alter profitability and prevent annual financial losses (Cohen & Zarowin, 2010). These strategies, involving accounting tricks like adjusting accruals or shifting transactions between periods, can temporarily lower profits, impacting business owner perceptions. However, the consequences of this accrual-based earnings management, such as financial deficits, insolvency, and fraudulent activities, highlight the short-lived nature of such practices. A concrete example is the 2009 declaration by the Central Bank of Nigeria (CBN) of the risk of collapse for several banks due to capital deficiencies revealed during unsuccessful audit tests. Meanwhile, the stock market plays a pivotal role in meeting public and country requirements by offering goods, services, and necessities.

Investors contribute financial assistance, expecting positive returns, thus benefiting both the economy and investors. Nevertheless, concerns arise due to accounting standards, insufficient regulations, and factors influencing financial activity, leading to worries about potential investment losses (Kehinde & Olanrewaju, 2010). To address these concerns, robust rules and regulations ensuring trustworthy financial reporting are crucial for fostering investment growth in the Nigerian economy. The SEC Code of 2011, with its emphasis on profit, safety, and security, plays a vital role in enhancing investor trust and contributing to overall economic stability and development. Since financial reporting includes information about investment gains, many stakeholders—especially investors—are very interested in it. According to Das and Kim (2013), reported investment earnings are a significant determinant of future investment returns for shareholders. By taking into account its effect on the anticipated accruals for future earnings, financial analysts can assess the effect of earnings management on reported earnings (Abarbanell & Lehavy, 2003). A company may experience both positive and negative effects from its earnings management (Hui & Fatt, 2007).

Managers inflate the company's profitability by manipulating financial reports using specific techniques. For the purpose of computing discretionary accruals, a number of models, such as the Modified Jones (1995), Dechow and Dichev (2002), Kothari, Leone, and Wasley (2005), and Jones (1991) models, can be used in place of earnings management. Because it has a high degree of reliability in forecasting discretionary accruals, the Modified Jones Model (1995) is frequently used (Fodio,

Ibikunle, & Oba, 2013). A significant portion of banks' profits, the loan loss provision, is manipulable, claim Magliolo and Chamberlain (1995). Notable Nigerian companies involved in corporate malfeasance include Lever Brothers PLC, Cadbury Nigeria PLC, and African Petroleum PLC (Ajibolade, 2008; Miko & Kamardin, 2015). The Central Bank of Nigeria (CBN)'s 2009 investigation into the activities of the 24 listed banks revealed that scandals, careless management, and poor corporate governance were the main causes of the banks' near-collapse. This has been found out. The central bank gave the first five banks (Afribank, Finbank, Intercontinental Bank, Oceanic Bank, and Union Bank) that didn't pass the CBN examination a total of N420 billion (\$2.8 billion). To improve the liquidity of four banks—Bank PHB, Equatorial Trust Bank, Spring Bank, and Wema Bank—an extra N200 billion (\$1.33 billion) was injected. The aim of this measure was to guarantee the banks' stability, protect them from economic difficulties, and sustain their ability to operate as profitable businesses.

Fodio et al. (2013) argue that company failures in Nigeria can be attributed to corporate governance deficiencies, dishonest directors, and profits manipulation. The creation of the corporate governance code of FRCN 2013 aimed to enhance the quality of financial reporting profitability and address the deficiencies of the previous CG Code. The 2018 code was revised to address the deficiencies of the previous version and enhance the integrity of the financial report. The amended criteria seek to strengthen financial reporting, reduce agency worries, and limit management opportunism. The CGC 2018 ensures that a balanced mix of skills and diversity, encompassing experience and gender, is maintained in order to facilitate the effective operation of the Board and its Committees. This is achieved without compromising the qualities of competence, autonomy, and integrity. The effectiveness of the board relies heavily on its diversity, experience, impartiality, and talents (Businessday, 2018).

The approach to earnings management by management may vary depending on the diversity of the board. Various factors, such as director age, gender, qualifications, and ethnicity, are utilized to predict the impact of the board on profit management (Dey, 2008; Marra et al, 2011). Research has focused on board diversity and profitability management in emerging nations due to their rapid economic growth and unique corporate control requirements (Dimitropoulos & Asteriou, 2010). Nigeria stands out as one of the few developing nations that have actively pursued research endeavors. Saona et al. (2019), Baier-Fuentes (2019), Ann (2015), and Jamaludin et al. (2015) found that board structure features (size, independence, and meeting) influenced earnings management. Several studies have explored the

association between board diversity (in terms of race, gender, and nationality) and earnings management. These investigations include the works of Temile (2018), Gull (2018), Nyoka (2018), Obigbemi et al. (2016), and Enofe et al. (2017). The study in issue neglected the financial industry owing to its employment of a unique paradigm. However, it is important to note that applying the findings from banks to other sectors is impeded by industry regulations, policies, and other environmental variables that are specific to each sector. Disparities emerge due to the varying operational frameworks employed by financial institutions, including banks (Thangavelu, 2015).

The majority of Nigerian research has neglected the financial sector and employed inadequate models for assessing earnings management in banks. A facet that had been neglected in earlier research on profit management was the topic of board qualification, which was brought to light at the CGC 2018 conference. The age of board members received minimal attention. It is imperative to reevaluate relevant studies utilizing Nigerian data and a model suitable for the banking sector. To fill research gaps, we investigated the correlation between board diversity and profit management in listed deposit money banks (DMBs) in Nigeria.

2. Literature Review

There is currently no widely operationalized definition of earnings management in the accounting literature. Various terms are used to refer to earnings management, including income smoothing (Tucker & Zarowin, 2006), creative accounting (Balaciu, et al, 2009), and accounting numbers game (Mulford & Comiskey, 2002). In order to manipulate financial reports and deceive stakeholders about the true state of the company's finances or to sway the results of contracts that rely on disclosed accounting data, Healy and Wahlen (1999) defined earnings management as the manipulation of financial statements through the use of financial reporting judgments.

2.1 Educational Qualification and Earnings Management

According to Hambrick and Mason (1984), a person's educational history somewhat reveals their knowledge and abilities. Moreover, researchers claim that educational background is the strongest measure of informational variety (Sanda et al, 2011). As a result, the range of expertise and abilities within the board of directors explains the board's diversity in educational background. According to Cohen and Levinthal (1990), a gain in knowledge allows one to solve problems more quickly. While individual directors may not have all the information and

abilities required, as a group they could since the board brings together viewpoints, connections, and other resources. (Sundaramurthy & Kor, 2009).

The impact of loan loss provision on the earnings management of Nigerian listed DMBs is investigated by Farouk and Isa (2018). The population of the research, as of 2015, consisted of 15 designated DMBs in Nigeria, according to the Chang, et al (2008) model. For the years 2008 through 2015, bank accounts and data were gathered via annual reports. The panel regression approach was used, and the data analysis tool utilized was Stata 13. Results: The results showed that all of the factors (loan loss provision, total assets, loan charge off, and initial balance of loan loss) significantly affect the banks' discretionary loan loss provision. None of the diversity factors across the board were included in this research. To close the gap, a replication of this work is thus required.

Ibrahim et al. (2014) carried out a conceptual analysis of the earning management of industrial businesses in Nigeria and the board features (CEO duality, Board independence, meetings, size, and financial education). The study's findings indicated that the majority of earlier research indicates that boards of directors play a significant role in the organization's governance structure by overseeing the accuracy of the data included in financial reports. Hence, efficient boards minimize earnings management. Because of the variability of Nigeria's culture, economy, and sectors, it is necessary to repeat this research there.

Rajeevan and Ajward (2019) investigated the relationship between specified corporate governance characteristics and earnings management in a subset of Sri Lankan listed businesses. The Modified Jones Model was used to proxy the degree of earnings management, while the board financial education, CEO duality board meetings, audit committee meetings, and audit committee expertise were used to proxy the features of corporate governance. Seventy listed companies representing the tobacco, food, beverage, hotel, travel, oil palm manufacturing, diversified, and health care sectors were chosen based on their highest market capitalization from 2015 to 2017. These companies accounted for 59.9% of the total market capitalization of CSE. According to this research, corporate governance has a detrimental impact on managing profitability.

2.2 Director's age and Earnings Management

According to Wiesema and Bantel (2009), an individual's age may be used as a surrogate for experience, risk-taking behavior, and adaptability. According to Wiersema (2005), a person's age is likely to have an impact on their perceptions and judgment. The readiness of younger managers to take risks compared to their

older counterparts is indicative of the general reduction in flexibility and openness to change that occurs with age (Hambrick & Mason, 1984). Tyler and Steensma (1998) found that there was a relationship between age and a number of variables, including job experience, industry tenure, company growth, innovation initiatives, and organizational tenure. According to Child (1974) and Noburn and Birley (1988), younger managers often do better than their older counterparts because they are seen to have more education and up-to-date technical expertise (Bantel & Jackson, 1989).

Nyoka (2018) studied the connection between manufacturing businesses listed on the Nairobi Securities Exchange's profitability management and board diversity. The agency theory, stewardship theory, and positive accounting theory are all cited in the paper. Between 2011 and 2017, a population of nine manufacturing businesses listed on the Nairobi Securities Exchange were the subject of this descriptive analysis. by the use of secondary data taken from manufacturing businesses listed on the NSE's annual reports. The research found that Kenyan manufacturing enterprises' ability to control profits was significantly impacted negatively by the prevalence of gender diversity. The administration of income remains unaffected by the presence of persons belonging to distinct age groups.

In an investigation by Ann (2015), the impact of board composition on profits manipulation in Kenyan listed businesses was looked at from 2010 to 2014. As of December 31, 2014, 64 listed enterprises made up the study population. Pre-existing data from secondary sources were used in the research. Agency theory, resource dependency theory, and institutional theory all provided support for the research. Matrix analysis and regression were used to examine the retrieved data. The research found that organizations' capacity to manage their profits successfully was highly impacted by a number of criteria, including financial leverage, ethnic diversity, board participation, size, and independence. Replicating this research in Nigeria's setting is essential, given the country's diverse culture, economy, and industries. Furthermore, disparate results were obtained from the activities of different industries, banks, and financial organizations. It is crucial to repeat this research in other industries, with a concentration on financial institutions, in order to close the gap.

Wicaksana et al. (2017) examined the relationship between earning management and board diversity in Indonesian listed businesses. In place of board diversity, the ethnic diversity index was used, and discretionary accruals were used as a gauge for earnings management. Multiple regression analysis was performed on the data

using a purposive sample of 298 observations. The results show that board diversity and earnings management are negatively correlated. Put another way, earnings management becomes less common as board diversity rises.

Almashaqbeh, et al., (2019) looked at the connection between real earnings management (REM) and the age diversity of foreign board members. This research examined nonfinancial company enterprises from 2011 to 2015 using quantitative techniques and longitudinal data. There were 44 companies in the service sector and 57 companies in the industrial sector in the sample. Descriptive statistics and the Panel Corrected Standard Errors (PCSE) regression approach were used to evaluate the data. This research found significant negative connections between age diversity with REM and the participation of foreign board members.

The Agency Theory, developed by Jensen and Meckling in 1952 and expounded in 1976, is pertinent to understanding the relationship between board diversity and earnings management in listed DMBS in Nigeria (Jensen & Meckling, 1952; Jensen & Meckling, 1976). The theory delves into the complexity of agency relationships, where principals engage agents for decision-making on their behalf. Managers, seeking diversification, aim to enhance compensation, prestige, and power while protecting their positions and managing specific investments to mitigate risks (Jensen, 1986; Jensey & Murphy, 1990; Amihud& Lev, 1981). This diversification may influence accounting figures and create an environment conducive to undetected earnings management. The Agency Theory posits that when both parties maximize value, agents may engage in opportunistic behavior, leading to agency costs (Jensen & Meckling, 1976). Diversity in the board, encompassing factors like gender, skin color, or age, is seen as a potential mitigating factor, with women in top management potentially easing earnings management practices due to their perceived higher ethical values and risk aversion (Betz et al., 1989; Krishnan & Parsons, 2008). The theory also underscores the importance of addressing agency costs, information asymmetry, and the role of modesty in executive pay, advocating for the creation of independent remuneration committees (Kay and Silnerston, 1995). Moreover, the study suggests that the Agency Theory is more concerned with short-term performance, particularly relevant for older executives near retirement (Davidson, 2007). The theory argues that a diversified board, both culturally and educationally, can contribute to a robust knowledge base, impacting performance and reducing earnings management (Tsakumis, Campbell, & Doupnik, 2009). It emphasizes that the existing financial reporting rules may not be sufficient for international comparability. In the context of the current study, the Agency Theory is highly relevant as boards of directors act as agents for shareholders,

potentially leading to agency problems if directors pursue self-interest, manipulating financial records, especially in times of poor firm performance when rewards are tied to firm performance.

3. Methodology and Model Specification

The methods used combines descriptive and correlational designs, enabling the statistical analysis of the connection between profits management and board diversity. This quantitative investigation is guided by the positivist worldview. Based on their published audited annual reports and accounts from 2013 to 2021, the population consists of all 14 listed Deposit Money Banks on the Nigerian Stock Exchange as 31st December, 2021. Because the data are dual in nature—they include cross-sectional and time series elements—panel data regression was used. Utilizing a variety of methods, such as ordinary least squares, fixed effect, and random effect regression, along with diagnostic tests like the Hausman specification test, Variance Inflation Factor (VIF) test, multicollinearity, heteroskedasticity, normality, and auto-serial correlation, the data analysis is made easier with STATA 14 statistical software, guaranteeing the analysis's validity and robustness.

Table 1: Variables Measurement

Definitions	Variable Type	Measurement	Source
Earnings Management	Dependent Variable	Discretionary loan loss provision all over lagged total Assets.	Chang, Shen, & Fang, 2008; Farouk & Isa, 2018
Board Educational Qualifications	Independent Variable	The number directors with any financial qualifications or expertise divided by total number of directors on board.	Johl et al., 2013
Age Diversity	Independent Variable	The standard deviation of the director's age	Solans et al., (2012)

Source: Authors' Compilations, 2022

The dependent and independent variables measurements are presented in the table below. The model of discretionary by Chang, Shen, & Fang (2008) will be used to measure loan loss provision for the study since it was specifically built for the banking sector as shown below.

$$DLLP_i / TAt-1 = LLP_i / TAt-1 - \{\alpha_0 1 / TAt-1 + \alpha_1 LCO_i / TAt-1 + \alpha_2 BBAL_i / TAt-1\}$$

Where:

DLLP = Discretionary Loan Loss Provision

LLP = Loan Loss Provision

LCO = Loan Charge-Off

BBAL = Beginning Balance of loan loss

TAt-1 = Lagged Total Assets

α_0 = Constant

The model that captures the effect of board qualification and age diversity on earnings management is specified as follows:

$$DLLP_{it} = \beta_0 + \beta_1 BE_{it} + \beta_2 AD_{it} + \beta_3 FSZ_{it} + e_{it}$$

Where:

i = firm

t = year

β_0 = Intercept $\beta_1, \beta_2, \beta_3$ = the coefficients of the variables.

e = Error term.

DLLP = Discretionary loan loss provision

TAt-1 = Lagged total assets

BQ = Board qualification

AD = Age diversity's

FSZ = Firm size

4. Result and Discussion

Descriptive Statistics

The descriptive statistic table displays the mean, standard deviation, maximum, and minimum values for each dependent and independent variable. Table 2 contains a summary of descriptive statistics.

Table 2: Summary statistics

	Mean	Std. Dev.	min	max	skewness	kurtosis
EM	.004	.007	0	.053	4.747	30.281
	.368	.132	.091	.625	-.038	2.216
BEQ						
AD	1.362	1.655	1.001	13.035	5.854	38.115
FSZ	2.239e+12	1.935e+12	1.565e+11	1.038e+13	1.7	6.081

Source: STATA 14 Outputs, 2022

Table 2 shows that discretionary accruals had a mean value of 0.04. Discretionary accruals are used in this research as a proxy for earnings management. A result of 0.004 suggests that throughout the study period, the selected banks did not engage in significant profit manipulation. Discretionary accruals were found throughout the research period, with the lowest and highest values, 0.00119 and 0.053, respectively. According to the statistics, certain firms had higher than average rate of earnings manipulation (5.3%), however over the study period, fewer of the sampled organizations engaged in earnings manipulation. This validates the earlier theory that the DAC mean indicates little profit manipulation.

The proportion of directors with financial competence relative to the total number of board members indicates the average level of board qualification, which is 36.8% with a standard deviation of 0.132. Applications are received by the board from a variety of individuals; the maximum proportion of qualifying applicants is 62.5%, while the lowest percentage is 9.1%. The low standard deviation of 0.132 suggests that the deposit money institutions on the list are not very diverse.

The mean age of directors at the listed deposit money institutions varies significantly, as Table 4.1 shows. With a range of 1.001 to 13.035 years, the standard deviation indicates the average age, which is 1.362. The low standard deviation of N19.1 billion suggests that there is little fluctuation in the total assets of Nigeria's listed deposit money institutions, which average N22.3 billion. The minimum and maximum firm sizes are N160b and N1tr, respectively.

The skewness values are shown in Table 2 indicate that, despite the data's apparent negative skewness, a normal distribution is really anticipated. Furthermore, Table 1's kurtosis value suggests that a normal peak is probably present in the distribution. This is consistent with other research showing the predictive value of kurtosis and skewness in predicting data distribution. It is possible to determine if the data is skew or has an unusual kurtosis by looking at the data (Bai & Ng, 2005; Barato & Seifert, 2015; Blanca, Arnau, Lopez-Montiel, Bono, & Bendayan, 2013; Kollo, 2008; Maru).

Correlation Matrix

The connection between each of the two pairs of variables in the model is shown in the correlation matrix. The correlation between the explanatory and explained variables must exist, but even so, the correlation between the independent variables should be zero (Gujarati, 2004)

Table 3: Correlation Matrix

Variables	(1)	(2)	(3)	(4)
(1) EM	1.000			
(2) BEQ	-0.099 (0.289)			
(3) AD	-0.415* (0.000)	1.000		
	(0.213)	(0.402)	1.000	
(4) FSZ	0.225* (0.015)	0.053 (0.574)	-0.048 (0.605)	1.000

Source: STATA14 Output, 2022

Note that the correlation coefficient's value falls between 1.0 and -1.0. A perfect, strong, positive linear link between a variable and itself is indicated by a coefficient of 1.0 on the matrix (diagonal), while the existence of a perfect, strong, negative association is shown by a value of -1.0. A moderate association and a weak relationship, however, are indicated by a correlation coefficient value that falls between 1.0 and -1.0. Put differently, a connection is shown as positive when $r > 0$, negative when $r < 0$, and no relationship at all for $r = 0$. For a correlation matrix, a link is considered extremely weak if it is 1–10%, weak if it is 11–29%, moderate if it is 30–60%, and strong if it is 61% or above.

Table 3 shows that, with a correlation value of -0.147, the association between board ethnicity and earnings management is modest and negative. The correlation coefficient between board education certification and earnings management is -0.099, indicating a weak and negative association. With a correlation value of -0.415, the age of directors and earnings management have a negative and weak relationship.

Furthermore, Gujarati (2004) views as excessive any correlation coefficient of higher than 0.80 between two independent variables. With the exception of the association between board gender and director age, which has a coefficient correlation of -0.656, suggesting the potential existence of detrimental multicollinearity, all correlation coefficients between independent variables in the above table are below 0.80. To verify this, utilize the Variance Inflation Factor.

Test for Diagnosis

A number of diagnostic tests were carried out in this part to guarantee the validity and dependability of the regression models that were used in the investigation. These tests comprised the Hausman specification test, auto and serial correlation

test, heteroskedasticity test, linearity test, multicollinearity test, and normalcy test. The results of the multicollinearity test showed that there was no problem with multicollinearity among the explanatory variables since tolerance values were more than 0.10 and all variables' VIF values were less than 10. The variables' respective VIF values were: BG (1.82), AD (1.764), FSZ (1.054), BEQ (1.033), and BE (1.021). These numbers showed that there was no collinearity between the explanatory factors. A linear link between the predictors and the result variable was shown by the linearity test. There is a linear connection between the predictors and the result variable since the standard deviation of the dependent variable, EM (0.198), was higher than the standard deviation of e (0.0000016), the fitted value.

The Wooldridge test for autocorrelation in panel data demonstrated the existence of both auto and serial correlation, which was confirmed by auto and serial correlation tests. With a p-value of 0.0000 and a chi-square test score of 93.769, the results indicate statistical significance. The research used the Panel Corrected Standard Error (PCSE) model for Fixed Effect to solve this problem. The Modified Wald Test for Groupwise Heteroskedasticity in Fixed Effect The Regression Model supported the heteroskedasticity test's finding that there was heteroskedasticity in the data. At 1%, the chi-square test statistic was 93.769, statistically significant, and had a probability value of 0.0000. As a result, the research used the PCSE model to successfully handle the heteroskedasticity problem. The Shapiro-Wilk W test was used to examine the residuals for normality, and the results did not reject the null hypothesis. The test yielded a p-value of 0.157, which was not significant statistically. The Gauss-Markov theorem, which states that when the sample size is greater than 15, obtaining Best Linear Un-bias Estimates (BLUE) does not require normality of data or residual distribution, was supported by this result, which showed that the residuals were normally distributed throughout the model. Ultimately, the Fixed Effect and Random Effect models were selected using the Hausman specification test. At the 5% level, the test statistic was 33.78 with a p-value of 0.0000, indicating statistical significance. This outcome validated the use of the Fixed Effect model. But since heteroskedasticity was present, the research used the Panel Corrected Standard Error (PCSE) model as a reliable estimate technique to deal with the data's autocorrelation and heteroskedasticity problems.

4.2 Presentation, Analysis and Discussion of Regression Results

The regression result on the relationship between the dependent variable (Earnings Management) and independent variables (Board Educational Qualification and Director's Age Diversity) is presented in this section.

Table 4: Panel Corrected Standard Error

EM	Coef.	St.Err.	t-value	p-value	Sig
BEQ	-.058	.009	-6.55	.000	***
AD	-.717	.355	-2.02	.044	***
FSZ	1.124	.456	2.47	.014	**
Constant	1.133	1.356	0.84	.403	
Mean dependent var		-0.720	SD dependent var	0.452	
Number of obs		117.000	Chi-square	46.457	
Prob > chi2		1.000	R-Squared	.2842	

*** p<.01, ** p<.05, * p<.1

Source: STATA14 Output, 2022

This section explains the relationship between the board diversity variables and EM of environmental sensitive firms using coefficient value, Z-values and the probability value (sig) to demonstrate the direction and the strength of relationship between the variables. The R² is used to test the cumulative effect of board diversity on EM, while the wald chi² and its significant values were used to ascertain the fitness and the predictability of the independent variables on the dependent variable in the study models.

Table 4 displays the PCSE results for the dependent variable, EM, as well as the independent variables, board ethnicity, board educational qualification, director's age diversity, and board gender. It's worth noting that PCSE's wald chi2 is comparable to OLS and GLS's F-statistics. The proportion of the overall variation in the dependent variable described by the independent variables together was calculated using the cumulative R2 of 28.42 % for the variables, which is the multiple coefficients of determination. As a result, the independent variables included in the analysis account for 28.42 % of the overall variance in EM of listed money banks in Nigeria.

The model contained in table 4 has a wald chi2 of 55.68, which is greater than 2 indicating it is fitted (Gujarati, 2004). As a result, the model is suitable for estimating the interaction between board qualification, board diversity, and the earnings management. It means that improvement in the board diversity would have a significant impact on the earnings management. Furthermore, according to the likelihood of the wald chi2, which is significant at 1%, all of the independent variables collectively in the model are significant. It means that there's a 99.9% likelihood that the association between the variables isn't attributable to chance, and

that the regression findings can be trusted. Furthermore, it means that the study's independent variables reliably predict the dependent variable.

The result indicate that the educational qualifications of board members have a significant negative impact on earnings management of listed deposit money banks in Nigeria, as evidenced by a p-value of 0.000. This suggests that there is a negative relationship between the level of formal education attained by board members and the occurrence of earnings manipulation. Directors are typically regarded as individuals possessing professional expertise, experience, and talents. They leverage these qualities to offer businesses and senior managers diverse support and suggestions, thereby enhancing the quality of the board's decision-making and supervision. The professional competency of board members is crucial for providing suggestions and consultative assistance to organizations. Board members with expertise in finance and accounting can assess and supervise management's financial practices, specifically evaluating whether they are involved in earnings management activities.

Furthermore, the directors age with a probability value of 0.044, the results showed a substantial and negative association between the age of the director and the profits management of listed deposit money banks in Nigeria. It implies that increasing the age distribution of directors would discourage earnings management. This might be because the ages of directors are seen as a proxy for their level of experience as well as a gauge of their unwillingness to take risks and embrace change. The top echelon idea states that a manager's age cohort may have an impact on their cognitive preferences, values, and ultimately, how they make decisions.

4.3 Testing of Hypotheses

The educational qualification of the board has a Z-value of -6.55, a coefficient value of -0.058, and a significant probability value of 0.000. This demonstrates that the educational qualifications of board members have a notable adverse impact on the practice of earnings management among listed deposit money banks in Nigeria. An augmented presence of certified financial professionals on the board will lead to a substantial reduction in earnings management. Therefore, the study's findings lead to the rejection of the null hypothesis, which suggests that the educational qualifications of board members do not have a significant impact on the earnings management of listed deposit money banks in Nigeria. The findings align with Rajeevan and Ajward's (2019) study, which discovered a negative correlation between board members' educational qualifications and the practice of earnings management.

The age of the director, as indicated in Table 4, has a Z-value of -2.02, a coefficient value of -0.717, and a significant p-value of 0.044 at a 5% level of significance. The findings suggest that the age of directors has a noteworthy and adverse impact on the practice of earnings management among listed deposit money banks in Nigeria. Therefore, the study's findings indicate that the null hypothesis, which suggests that the age of directors does not have a significant impact on the earnings management of listed deposit money banks in Nigeria, is thereby rejected. This outcome is in line with the findings of Alqatan (2019), Nyoka (2018), Ann (2015), and Zwet (2015), who discovered a negative correlation between the age of a director and earnings management.

5. Conclusion and Recommendations

The study's conclusions indicate that board education qualifications have a significant and negative impact on earnings management. Specifically, more board members with educational backgrounds, particularly in the financial and accounting sectors, are linked to lower earnings management. It was also shown that a diverse age group on the board significantly harmed earnings management. This finding emphasizes the need of having a broad age group on the board. Several suggestions are made in light of these results. First and foremost, boards with members with experience in finance and accounting should be encouraged, especially in sectors with complicated business environments like banking. This knowledge may improve the boards' ability to mitigate earnings management. In order to guarantee a greater variety of viewpoints and sensitivities, which may help to promote more balanced decision-making, banks should also welcome age diversity on their boards.

Additionally, this finding creates opportunities for more research. Further research should examine data sources other than annual reports, such corporate websites, and take into account other factors that could affect profits management. A wider range of industries and businesses included in the analysis, as well as an increased number of explanatory factors, may provide more thorough and broadly applicable findings. Furthermore, by extending the study period beyond nine years, researchers would be able to document how shifting international engagements, economic circumstances, and governmental regulations affect earnings management methods.

References

- Abalaciu, D., Bogdan, V., & Vladu, A. B. (2009). A brief review of creative accounting literature and its consequences in practice. *Annales Universitatis Apulensis Series Oeconomica*, 11(1), 170 – 182
- Abarbanell, J., & Lehavy, R. (2003). Can stock recommendations predict earnings management and analysts' earnings forecast errors? *Journal of Accounting Research*, 41(1), 1–31. doi:10.1111/1475-679X.00093
- Ajibolade, S. (2008). A survey of the perception of Ethical Behaviour of future Nigerian Accounting Professionals. *The Nigerian Accountant*. Retrieved from http://scholar.google.com.my/scholar?hl=en&q=A+Survey+of+the+Perception+of+Ethical+Behaviour+of+Future+Nigerian+Accounting+Professionals&btnG=&as_sdt=1,5&as_sdtp=#0
- Ann, M. (2015). The effect of board structure on earnings management. Masters Thesis, School of Business, University of Nairobi
- Businessday (2018). The Nigerian code of corporate governance, 2018. Retrieved from: <https://businessday.ng/columnist/article/the-nigerian-code-of-corporate-governance-2018-8/>
- Cohen, D. A., & Zarowin, P. (2010). Accrual-based and real earnings management activities around seasoned equity offerings. *Journal of Accounting and Economics*, 50(1), 2–19. doi:10.1016/j.jacceco.2010.01.002
- Cohen, W.M., & Levinthal, D.A., (1990). “Absorptive capacity: a new perspective of learning and innovation”. *Administrative Science Quarterly* 35(1), pp.128–152
- Das, S., & Kim, K. (2013). Earnings smoothing, cash flow volatility, and CEO cash bonus. *The Financial Review*, 48, 123–150
- Dey, A. (2008). Corporate governance and agency conflicts. *Journal of Accounting Research*, 46(5). doi:10.1111/j.1475-679X.2008.00301.x
- Farouk, M. A., & Isa, M. A. (2018). Earnings Management of Listed Deposit Banks (DMBs) in Nigeria : A Test of Chang , Shen and Fang (2008) Model. *International Journal of Finance and Accounting*, 7(2), 49–55. <https://doi.org/10.5923/j.ijfa.20180702.04>
- Farouk., A. M. (2014). Possession Formation and Earnings Management of Listed Chemical and Paints Firms in Nigeria. Being a Thesis Submitted to the School of Postgraduate Studies Ahmadu Bello University, Zaria.
- Fodio, M.I., Ibikunle, J. & Oba, V.C. (2013). Corporate governance mechanisms and reported earnings quality in listed Nigerian insurance Firms. *International Journal of Finance and Accounting* 2013, 2(5): 279-286 DOI: 10.5923/j.ijfa.20130205.01

- Gull, A. A. (2018). Gender-diverse boards and financial statements quality : Unpublished PhD Thesis. School of Economics and Science, Le Mans University
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *The Academy of Management Review*, 9(2), 193–206. <https://doi.org/10.5465/AMR.1984.4277628>
- Healy, P.M., & Wahlen, J. (1999). A review of the earnings management literature and its implications for standard setting. *Accounting Horizons*, 13(4), 365-384
- Hui, L. T., & Fatt, Q. K. (2007). Strategic organizational conditions for risks reduction and earnings management: A combined strategy and auditing paradigm. *Accounting Forum*, 31(2), 179–201. doi:10.1016/j.accfor.2006.12.003
- Ibrahim, I. (2015). Board characteristics and earnings management of listed foods. Unpublished Masters Thesis. Business School, Ahmadu Bello University
- Jamaludin, N. D., Sanusi, Z. M., & Kamaluddin, A. (2015). Board Structure and Earnings Management in Malaysian Government Linked Companies. *Procedia Economics and Finance*, 28(April), 235–242. [https://doi.org/10.1016/S2212-5671\(15\)01105-](https://doi.org/10.1016/S2212-5671(15)01105-)
- Jones, J.J. (1991). Earnings management during import relief investigations. *Journal of Accounting Research*, 29(2).
- Jones, T. M. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of Management Review*, 20(2), 404–437.
- Kehinde, O. A., & Olanrewaju, A. A. (2010). The role of industrial sector in the economic development of Nigeria. *Journal of Management and Society*, 1(2), 9–16
- Kothari, S. P., Leone, A. J., & Wasley, C. E. (2005). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, 39(1), 163–197. doi:10.1016/j.jacceco.2004.11.002
- Marra, A., Mazzola, P., & Prencipe, A. (2011). Board monitoring and earnings management pre- and post-IFRS. *The International Journal of Accounting*, 46(2), 205–230. doi:10.1016/j.intacc.2011.04.007
- Miko, N. U., & Kamardin, H. (2015). Corporate governance and financial reporting quality in Nigeria: Evidence from pre- and post- code 2011. *International Journal of Emerging Science and Engineering*, 4(2), 1–7.
- Miko, N. U., & Kamardin, H. (2016). Corporate governance mechanisms, sensitive factors and earnings management in Nigerian oil and gas industry. *Corporate Ownership and Control Journal*, 13(2), 39–48.

- Mulford, C. W., & Comiskey, E. E. (2002). The financial numbers game: detecting creative accounting practices. Retrieved from www.untag-smd.ac.id on 28/1/16.
- Nyoka, O. (2018). Effect of board diversity on earnings management in listed.
- Rajeevan, S., & Ajward, R. (2019). Board characteristics and earnings management in Sri Lanka. *Journal of Asian Business and Economic Studies*, ahead-of-p(ahead-of-print). <https://doi.org/10.1108/jabes-03-2019-0027>
- Rhoades, D, Rechner, P & Sundaramurthy, C. (2000), 'Board composition and financial performance: a meta-analysis of the influence of outside directors', vol. 12, issue 1, pp.76-92
- Sanda, A. U., Garba, T., & Mikailu, A. S. (2011). Board independence and firm financial performance: Evidence from Nigeria. *Economic Development in Africa*.
- Saona, P., Muro, L., Martín, P. S., & Baier-Fuentes, H. (2019). Board of director's gender diversity and its impact on earnings management : an empirical analysis for select european firms, 25(4), 634–663
- Temile, S.O. (2018) 'Gender diversity, earnings management practices and corporate performance in Nigerian quoted firms', *International Journal of Economics, Commerce and Management*, VI(1), pp. 1–14.
- Thangavelu (2015) FDI Restrictiveness Index for ASEAN : Implementation of AEC Blueprint Measures.
- Tucker, J. W., & Zarowin, P. A. (2006). Does income smoothing improve earnings informativeness? *The Accounting Review*, 81(1), 251- 270.
- Tyler, J., Wilkinson, D. M. & Huberman, B. A. (2003): Email as spectroscopy: automated discovery of community structure within organizations. First international conference on communities and technologies; C&T 2003, Amsterdam
- Wicaksana, K.A.B., Yuniasih, N.W. and Handayani, L.N.C. (2017) 'Board diversity and earning management in companies listed in Indonesian stock exchange', 7(12), pp. 382–386.
- Wiersema, M.F., and Bantel, K.A. (2009). Top Management Team Demography and Corporate Strategic Change. *The Academy of Management Journal*, 35(1), pp. 91-121. Accessed from: <http://www.jstor.org/stable/256474>