ACCRUAL EARNINGS MANAGEMENT AND CHIEF EXECUTIVE OFFICER (CEO) ATTRIBUTES

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Abstract

The study examined effect of Chief Executive Officer (CEO) characteristics on the accrual earnings management of Financial Service Firms (FSF) in Nigeria which span from 2012 to 2021. The research set three specific objectives that examined the effect of CEO ownership, CEO gender diversity, CEO nationality and CEO tenure on the accrual earnings management of the firms, while the hypotheses were formulated in line with the objectives. Experimental research design was adopted and thirty (30) firms out of the fifty (50) FSF listed on Nigeria Exchange Limited (NGX) were selected based on purposive sampling technique. Secondary data was sourced from financial reports of the firms upon which analysis were done with correlation matrix and OLS regression estimation technique. Results indicated that CEO ownership has strong inverse influence on accrual earnings management of FSF at 1% significant level. CEO gender diversity has positive significant impact on accrual earnings management of FSF at 5% level. Furthermore, the study found that CEO nationality has negative and strong influence on accrual earnings management of FSF at 10% level. Finally, tenure has positive and no significant effect on earnings management of FSF. The study there from recommended amongst others that the shareholder should make the CEO's take up good chunk of shares which will make them see the entity as their own and invariable reduce the agency cost and guarantee a financial statement that is free from accrual earnings management.

Keywords: CEO ownership, CEO gender diversity, CEO tenure, CEO nationality, upper echelon theory

1. Introduction

The Nigerian Code of Corporate Governance (NCCG) 2018 buttresses that the CEO being the person at the helm of affairs of management is empowered by the shareholders to handle the affairs of the firm, to fulfil the strategic objectives for corporate continuity. This assertion invariably positions the CEO on the verge of doctoring the financial statements of the real activities of the firm, to reflect the forecasted financial blueprint, for opportunistic purposes and to present positive public image of himself and the organisation. In other words, the behaviours that are adopted by CEO through various reporting methods and estimates display inaccurate reflections on the company's financial fundamentals (Arun, Almahrog & Ali-aribi, 2015; Beneish 2001). The scenario in most cases amounts to presenting low quality financial statements with material misstatement, which can mislead the stakeholders in their various decision making. Moreover, Hambrick and Mason (1984) made claim in their study that companies are reflections of the psychological components or attributes of their CEO as they are the arrowhead of the entity. In effect the upper echelon theory upholds that the CEO cognitive bases such as like educational exposition, nationality, sex, and experience of the CEO influence the entity's outcome.

On the other hand, financial statement fraud is a recurring decimal in the business world today. It represents any miss presentation or misstatement of facts in the financial reports of the organisation, which could be because of operating within the confines or the loopholes in the accounting standards and conventions to achieve a specific aim, generally referred to as creative accounting. Indeed, the chances that creative accounting could be applied in the financial reporting of the firm increases the propensity of earnings management inclusion in their annual report, which downplays the quality of financial reporting. Many cases of corporate failures could not be distanced from causative of financial statement frauds including the collapse of Enron, WorldCom, and Xerox (Odubuasi, Ofor & Ilechukwu, 2022).

Pertinently, CEO tends to engage in financial statement fraud through earnings management to present a financial statement that conveys satisfactory image to the shareholders. To understand the argument, Amelia and Eriandani (2021) posit that much pressure on the CEO to meet a given performance target as usually mounted on them by the shareholders cum board of directors adds feather to accounts manipulation. Hence, the rise in empirical urge to identify the CEO attributes that would not succumb to pressure in doctoring the financial statements of the enterprise in any situation. Research had established relationships between CEO characteristics and financial statement fraud and had not done much in covering reasonably, large part of the study area especially in developing continent of Africa and specifically country like Nigeria.

Extant literature show that many studies were found on European nations (Nguyen, et al., 2018; Oegema, 2017; Dimopoulos & Wagner, 2016; Lakhal, et al., 2015; Arun, almahrog & Ali-aribi, 2015; Belot & Serve, 2015). Further revelations show that adequate studies were also found from America (Zalata, Ntim, Aboud & Gyapong, 2018; Gottesman & Morey, 2010; Jalbert, et al., 2010; Peni & Vahamaa, 2010). Good number of literatures were additionally found from Asian continent (Altarawneh, et al., 2022; Amelia & Eriandani, 2021; Alhmood, et al., 2020; Putri & Rusmanto, 2019; Zainal et al., 2013; Qawasmeh & Azzam, 2020; Kyunga & Jooyeon, 2017).

Among this research, the only study on the title found in Africa and precisely Nigeria was done on bank (Ashafoke, Dabor & Ilaboya, 2021). To this effect, this study found gap in literature since no study had sought for the impact of CEO attributes on accrual earnings management specifically on the providers of fund for economic activities in Nigeria. This study therefore took up broader perspective from an important sector of the economy that provides financial succor for whatever economic growth and development expected for improving both developed and developing economy. Hence, we determined the influence of CEO attributes on accrual earnings management of firms under FSF of Nigeria exchange group. The study main objective is to investigate the effect of CEO attributes on accrual earnings management of FSF in NEXG. The specific objectives are to investigate the.

1. Effect of CEO ownership on accrual earnings management of companies listed under financial service sector of NEXG.
2. Effect of CEO gender on accrual earnings management of companies listed under financial service sector of NEXG.
3. Effect of CEO nationality on accrual earnings management of companies listed under financial service sector of NEXG.
4. Effect of CEO tenure on accrual earnings management of companies listed under financial service sector of NEXG.

Hypotheses

The hypotheses of the study were stated in line with the objectives and presented in their null format thus.

H1: CEO ownership has no significant effect on accrual earnings management of firms in financial service sector.

H2: CEO gender diversity has no significant effect on accrual earnings management of firms in financial service sector.

H3: CEO nationality has no significant effect on accrual earnings management of firms in financial service sector.

H4: CEO tenure has no significant effect on accrual earnings management of firms in financial service sector.

The result of this study is expected to be useful to shareholders as it will expose to them of what attributes to look out for in filling the captain of their investment. To independent auditors as to know when to raise their suspicious antenna so high when certain attributes are found in some CEO, and the result is on itself an enrichment to the scholars who may want rich and robust studies done in Nigeria on the related topic. The study is structured as follows: section two discussed related literature, section three contains the methodology, and subsequent section is the data analysis and discussion of results. Lastly, conclusion and recommendations of the study was presented.

2. Review of Related Literature

Conceptual review

CEO attributes

For proper understanding of why business entity performs in a particular way, one must understand the CEO values, perceptions, and dispositions (Hambrick, (2007). Hambrick and Mason (1984) in their upper echelon theory posit that CEO's personal characteristics have the capacity to affect his judgment and decision, some of the CEO's attributes under consideration are nationality, gender, tenure, and ownership.

CEO ownership – this looks at the psychological disposition of the CEO when he has a chunk of shares of the organisation he leads. Qawasmeh and Azzam (2020) noted that CEO ownership is a fundamental factor that determines how the CEO would manipulate the accounting report and earnings of the enterprise. Sharma and Kuang (2014) pointed out that the rise in the volume of stock held by the CEO would increase their tendency to enroll in more creative accounting conducts to project higher earnings. Kazemian and Sanusi (2015) affirm that firms with high CEO ownership have higher chances to engage in earnings management activities for opportunistic behaviour at the detriment of the shareholders, especially in settings of low market discipline.

CEO gender diversity – CEO gender assesses the extent to which female CEO would minimize the amount of accrual earnings management in financial statements. Women are believed to be more meticulous, fraud averse and have the capacity to handle diverse functions. The global financial crises of 2008 threw open the heated argument on the gender diversity preference in top echelon position of firm management (Lakhal, Nekhili, & Zouari, 2015). Female executives could produce better result emanating from conservatism, risk averseness and ethical behaviour that could result to reduces earnings management (Peni & Vahamaa, 2010). Amelia and Eriandani (2021) argue along gender theory and upheld that female are more unbiased and conservative than their male counterpart. Therefore, female CEO would tend to make more ethical decision and avoid earnings management as much as she can.

CEO nationality – Nationality orientation has psychological inducement in the lives of individuals and nationality qualifies the nation of origin of the CEO. Literature recorded that CEOs are better off in the country where they were groomed except for CEOs with international experience and knowledge who would have a competitive advantage in improving performance of foreign companies (Le & Kroll, 2017). CEO with a particular nationality may have difficulty selling out his skills in a different clime or nation than the CEO of that very nationality. Jalbert, Chan, Jalbert and Landry (2007) found from their empirical investigation that CEOs in the United State of America were compensated according to their nationalities.

They added that theory modes of operations or methodology of running the firms varied alongside their national divides.

CEO tenure – CEO tenures addresses the number of years of service of the appointed CEO. The Upper Echelon Theory posits that the tenure of the CEO could affect the type of decision he makes for the organisation (Hambrick & Mason, 1984). For instance, new CEO's can adopt several non-routine adjustments in their first year to accommodate excess expenses and losses, upon which they will claim credit in future years' profit (Ali & Zhang, 2014). Pertinently, CEO with long tenures would get the opportunity to acquire lots of experience that would assist him take decisions that would reduce accrual earnings management or no misrepresentation at all (Alhmood, Shaari & Al-dhamari, 2020). That result of Alhmood et al. (2020) corroborated the finding by Hambrick (1992), that the longer the tenures of the CEOs the more the knowledge, internal policy, and business strategy consistency for greater efficiency.

Upper Echelon Theory (UET)

UET is a theory that expresses the influence of the CEO characteristics on the outcome of the enterprise he manages. UET was propounded by Hambrick and Mason (1984) which emphasises the ability of Chief Executive Officer (CEO) cognitive bases to affect the decision making of the firm. The theory was prompted by the desire to finding a solution to the reason that organisations act the way they do. On this premises the theory postulates that the attitude of the top management has capacity of affecting organizational performance. The paper presented by Hambrick and Mason (1984) disclosed empirical result that gave life to UET with certain demographic attributes that include tenure, education level, nationality, and gender, which are proxy to psychological differences. They posit that a firm's outlook reflects the values and cognitive bases of powerful actors in the organization. Meanwhile, many researchers had criticized UET for lacking the capacity of considering the factors within the process that mediate in the relationships between top executive and the performance of firms (Menz, 2012; Bluedom, Johnson, Cartwright, & Barringer, 1994). They argue that UET did not recognize many contributory elements that must surge in during management process, which will react with the demography of the top executives before any result could be achieved. Menz (2012) continued that this gap limits the conceptual and the practical contributions of the UET. Nonetheless, Bromiley and Rau (2016) suggest that additional study should be undertaken at an in-depth tone, to examine the cognitive processes that are essentially required links, to the relationships between top management demography and operational outcomes of the firms. This theory is highly related to our study as its emphasis is on how the CEO or the CFO demography affect the operational outcomes of the organisation including its tendency of presenting financial statements that contains accrual earnings management.

Empirical review

S/N	Author(s) / Year	Title of the study	Variables used	Methodology	Findings
1	Gounopoulos and Pham (2016)	Relationship between the financial expertise of CEOs and earnings management around Initial Public Offerings (IPO)	X: CEOs with financial expertise Y: Earnings management with modified Jones models	Descriptive statistics, OLS regression	Firms going to the public the first time are less likely to engage in earnings management when they have CEOs with financial expertise than the firms with non-financial expertise.
2	Arun, et al. (2015)	Female director and earnings management of UK Companies	X: female directors on board, number of independent female directors on board, number of executive female directors on board female CFO Y: current accruals	Descriptive statistics, correlation, and regression analysis	Firms with higher number of females on board, and independent female directors have limited earnings management practices on the sectorial firms in UK
3	Alhmood, et al. (2020)	CEO characteristics and real earnings management in Jordan	X: CEO's experience, CEO's tenure, CEO's duality, and politically connected CEOs Y: Earnings management of discretionary accruals. Control variables: firm size, firm age, financial leverage, market-to-book ratio, and sales growth.	Correlation matrix and OLS regression	CEO experience, CEO political connection has positive significant effect on earnings management, CEO tenure has positive no significant effect on earnings management, whereas CEO has negative significant effect on earnings management
4	Altarawneh, et al. (2022)	Influence of CEO attributes on the discretionary accrual of firms listed on the Malaysian stock exchange	X: CEO tenure, CEO network, CEO expertise, female CEO, and CEO age Y: discretionary accrual Control variable: firm size, leverage, big4, ROA, sales growth, market to book value.	Correlation matrix and OLS regression	CEO tenure, CEO network, female CEO have negative statistically significant effect on discretionary accrual on firms sampled in Malaysian market. Meanwhile, CEO expertise, and CEO age have no significant effect on discretionary accruals
5	Kazemian and Sanusi (2015)	Association between earnings management and ownership structure in a qualitative manner	Review of previous studies	Qualitative design	Significant relationships exist between ownership structure of the firms and earnings management across the entire nation investigated
6	Lakhal, et al. (2015)	Do women on board and in top management reduce earnings management in France?	X: women on management Y: Earnings management	descriptive statistics, panel data regression analysis	Women on top management positions like director or chairman aids reduction in earnings management. They also discovered that having up to three women sitting on board have inverse effect on earnings

					management while, women CEO and women CFO have no effect on earnings management of the firms sampled
7	Zainal et al. (2013)	Effect of power on financial statement fraud in Indonesia	CEO Dominance, CEO Duality, CEO Stock Owned, CEO Related to Founder, CEO's Family Shares, CEO Relatives as Sitting Members on the Boards, CEO Functional Background, BOD Outside/Independent, Directors Size of the BOD Directors, Stock Ownership, BOD Member(s) as Founders or Relatives of the company's Founder, Frequency of Board Meetings, Existence of Audit Committee, Audit Committee Size, Audit Committee Independent Member, Audit Committee Expertise, and Audit Committee Meeting Frequency	principle component analysis	BOD expert power increases the chances of financial statement fraud especially when BOD ownership power decreases
8	Qawasmeh and Azzam (2020)	CEO characteristics and earnings management in Amman	X: CEO tenure, CEO age, CEO experience and CEO ownership Y: Discretionary Accrual Model	Descriptive statistics, correlation, and regression analysis	CEO ownership and CEO tenure have positive statistically significant Impact on earnings management of non-financial firms in Amman
9	Ashafoke et al. (2021)	Does CEO characteristics affect financial reporting quality of Nigerian banks?	X: CEO gender, CEO financial expertise, and CEO tenure Y: IASB qualitative characteristics index	Descriptive statistics and regression analysis	CEO gender has a positive but no significant influence on FRQ, positive and significant association exist between CEO tenure and FRQ, while inverse and significant association exist between CEO financial expert of the banks reviewed.
10	Troy et al. (2011)	CEO demographics and Accounting Fraud: Who is more likely to rationalise illegal acts?	X: executive age of CEO, executive functional experience of CEO and executive business education of CEO Y: financial statement fraud	Descriptive statistics and OLS regression	CEO stock options (a form of executive equity incentive) predict fraud, and that this relationship is not moderated by CEO demographics.
11	Kyunga and Jooyeon (2017)	Association between CEO gender and earnings	X: CEO gender Y: earnings management	Descriptive statistics, OLS	Male CEO engage in the use of aggressive discretionary accruals and activities operations to report small positive earnings or small

		management in North Korea		regression analysis	earnings increase. On the other hand, female CEO tends to decimate the earnings management
12	Nguyen et al. (2018)	Relationship between CEO characteristics and earnings management on mergers and acquisition on UK	X: CEO expertise and CEO reputation Y: earnings management	Correlation matrix and OLS regression	CEO reputation and CEO expertise have strong impact on the earnings management of firms during mergers and acquisition exercise.
13	Peni and Vahamaa (2010)	Female executives and earnings management in US economy	X: female CEO and female CFO Y: earnings management	descriptive statistics, pair wise correlation and regression analysis	all the female variables used have negative effect on earnings management, but female CFO and female executive have statistically significant effect on earnings management
14	Oegema (2017)	Effect of gender diversity and culture on earnings management of eight European countries	X: gender diversity and culture Y: earnings management	Descriptive statistics and regression estimation technique	Gender diversity has inverse effect on earnings management which was measured with accrual-based earnings management. Again, the result shows that having 30% of women or more on board has significant effect on earnings management. Finally, the study found from the moderating effect of culture from the angle of masculinity and or femininity to have no significant effect on earnings management
15	Alqatamin et al. (2017)	CEO attributes and earnings management in Jordan economy	X: CEO gender, CEO age and CEO overconfidence, Y: discretionary accruals Control variables: firm size, profitability, industry type, dividend ratio and firm leverage.	panel regression technique	CEO overconfidence has positive strong influence the earnings management of the firms. More so, CEO age has no significant effect on earnings management of the firms sampled
16	Amelia and Eriandani (2021)	CEO characteristics and earnings management of Indonesian firms	X: CEO gender, CEO tenure and CEO turnover Y: earnings management Control variables: firm age, firm size, firm leverage, ROA and MTB	descriptive and panel regression analysis	CEO turnover and Female CEO have weak effect on the earnings management of the firms sampled. MTB ratio and Company age have weak effect on earnings management. CEO tenure and firm size have inverse significant effect on earnings management whereas ROA and firm leverage

					have positive statistically significant effect on earnings management
17	Zalata et al. (2018)	Effect of female CEO on core earnings quality stationing the puzzle on ethics versus risk averse on US non-financial firms	X: female CEO Y: unexpected core earnings	multivariate analysis	female CEO is inversely and significantly related to core earnings quality. Meaning no significant difference exist between female and male CEO in relation to accrual earnings management
18	Zouari et al. (2010)	Do CEO's characteristics affect earnings management?	X: CEO reputation, Duality of ownership, CEO Expertise Y: discretionary accrual Control variables: operating cash flow, market to book value, audit quality, firm size and financial leverage	OLS regression	CEO duality, CEO reputation, CEO expertise, are positively and significantly affecting earnings management.
19	Belot and Serve (2015)	Do women engage in less earnings management than men from the perspective of privately held French SMEs?	X: CEO age, CEO gender Y: earnings management	OLS regression	Firms managed by female CEO have significantly less engagement in earnings management than firms run by male CEO. The study also holds that CEO age have negative significant effect on earnings management of SME in French
20	Luciano and Shan (2018)	Effect of CEO gender on real earnings management	X: CEO age, CEO gender, and CEO compensation Y: cash flow from operations (CFO), production costs and discretionary expenses.	descriptive statistics and regression estimation	CEO age, gender and compensation have positive relationship with cash flow from operation, but firm size has negative and significant relationship on operating cash flow. CEO age and compensation have inverse and no significant effect on abnormal discretionary expense, but CEO gender and firm size have positive relationship with abnormal discretionary expenses.
21	Rashid et al. (2018)	The mediating effect of CEO characteristics on the relationship between corporate governance attributes and earnings	X: CEO attribute Y: earnings management	Descriptive statistics, correlation, and regression analysis	Corporate governance attributes play a vital role in safeguarding the integrity of financial reporting process, the CEO characteristics is perceived to serve as a link between corporate governance attributes and earnings management, to act as a third

		management of financial service sector in Nigeria			party which helps in mitigating information asymmetry and clash of interests among management and shareholders.
22	Putri and Rusmanto (2019)	CEO attributes and earnings management and EPS of firms on Indonesian Stock Exchange	X: CEO gender, CEO age, CEO's level of narcissism, CEO citizen, CEO tenure and CEO education, Y: AEM, REM and EPS	descriptive statistics and regression analysis	CEO narcissism, education, age, tenure and citizen have positive significant effect on EPS while CEO gender has negatived no significant effect on EPS. CEO narcissism and education have positive and strong influence significant effect on AEM, CEO age has positive no significant effect on AEM, CEO gender and citizen have negative significant effect on AEM while CEO tenure has negative and no significant effect on AEM. Finally, CEO gender, education, tenure and citizenship have negative statistically significant effect on REM, CEO narcissism has positive statistically significant effect on REM while CEO age has positive and no significant effect on REM.
23	Jalbert et al. (2010)	CEO educational background, CEO compensation and firm financial performance of firms in USA	X: educational background, CEO payment Y: ROA	Regression estimation	Educational background of the CEO is associated with the performance of firms studied
24	Gottesman and Morey (2010)	Effect of CEO quality educational background on firm performance as evidenced on the firm's listed on New York	X: CEOs undergraduate degree in liberal arts, non-liberal arts, MBA, law degree, GMAT, and SAT score. Y:	OLS regression technique	CEO educational background is not related to the performance of firms in New York. Particularly, the finding shows that firms managed by CEOs with an MBA degree do not have better financial performance than other firms managed by a CEO with a liberal arts and law.
25	Dragota et al. (2020)	effect of CEO turnover in post-communist nations: Romanian perspective	X: CEO turnover Y: ROE	Ordinary least square estimation	CEO–Chairman duality and the controlling power of the largest shareholder act as entrenchment mechanisms. More so, the result indicate that CEO gender was a factor for CEO turnover. Again,

					CEO turnover decision is negatively related to accounting-based performance
26	Dimopoulos, and Wagner (2016)	Investigated the relationship between corporate governance and CEO turnover on the performance of firms in UK and Germany	X: CEO turnover, CEO duality, board size, Y: ROA	Descriptive statistics, univariate and multivariate analysis	Underperformed CEOs face the threat of removal, and the newly hired CEOs improve the performance of firms in the following years.
27	Orekhova et al. (2019)	Association between CEO turnover and of firms	X: CEO turnover Y: revenue	OLS regression	Statistically significant and inverse relationship exists between the change in revenue and CEO turnover in the short term. Again, foreign CEOs are faster to adapt to a new position that allows for improved profitability indices of the firms studied

Source: Researchers' compilation 2023

Appraisal of empirical literature

Most of the studies we reviewed on the association between CEO attributes and earnings management were conducted on developed and developing continents other than Africa. For instance, many studies were found on European nations (Nguyen et al., 2018; Oegema, 2017; Dimopoulos & Wagner, 2016; Lakhal et al., 2015; Arun et al., 2015; Belot & Serve, 2015). Adequate studies were also found from America (Zalata et al., 2018; Gottesman & Morey, 2010; Jalbert et al., 2010; Peni & Vahamaa, 2010). Good number of studies were further found from Asian continent (Altarawneh et al., 2022; Amelia & Eriandani, 2021; Alhmood, et al., 2020; Putri & Rusmanto, 2019; Zainal, et al.,2013; Qawasmeh & Azzam, 2020; Kyunga & Jooyeon, 2017). Among these, the only study was found in Africa and precisely Nigerian bank (Ashafoke et al., 2021).

The summary indicates that scant literature exists in Nigeria and Africa at large on the relationship between CEO attributes and earnings management. Hence the study chose to undertake the research on financial service sector of Nigeria exchange group, a sector that is at the center for both short- and long-term financing of any serious investment and economic activities in the society, and this is the gap in knowledge this study filled.

3. Methodology

The research adopted experimental research design. Experimental research design is deemed most appropriate as we scientifically established cause and effect relationship of the independent variables to dependent variable of the study. The population is made up of the fifty (50) FSF quoted on the NGX covering 2012 to 2021 financial years. A secondary source of data was got from the annual reports of the firms for those ten years. Thirty of the companies were selected as sample size purposely because of their financial statement availability and accessibility on the internet for that ten-year period. Analysis was done with descriptive statistics, correlation analysis and OLS regression analysis technique. The study applied Variance inflation factor for multicollinearity test while Breusch-pagan test was applied for Heteroscedasticity check. F-test and P-value tested the validity of the model, R^2 measured the goodness of fit of the regressor variables on explaining the dependent variable. T-test and P>/t/ statistics were used to test the significance of the individual independent variables.

Model specification

$EARN\_MGT_{it} = \beta_0 + \beta_1 CEO\_OWNE_{it} + \beta_2 CEO\_GEND_{it} + \beta_3 CEO\_TENU_{it} + \beta_4 CEO\_NATI_{it} + \mu$ --- equ 1

Where: EARN_MGT = accrual earnings management; CEO_OWNE = CEO ownership; CEO_GEND = CEO gender diversity; CEO_TENU = CEO tenure; CEO_NATI = CEO nationality; β_0= Intercept; β_1- β_4= Coefficients; μ= stochastic term.

Table 3.1- Measures of the Variables

Variables	Proxy	Measures	Apriori expectation
accrual earnings management	EARN_MGT	Proxied by discretionary accruals computed using Modified Jones Model (1995)	
CEO Ownership	CEO_OWNE	The percentage of stocks owned by the CEO at the beginning of the year	+
CEO gender diversity	CEO_GEND	Binary values where '1' is assigned if CEO is a woman otherwise '0'	+
CEO Tenure	CEO_TENU	CEO Tenure in Dummy variable where "1" was assigned to Companies whose CEOs have stayed for 3 years and "0" for CEOs with less than 3 years of engagement	+
CEO Nationality	CEO_NATI	'1' if CEO is a foreigner, otherwise '0'	-

Source: Authors' compilation (2023)

4. Data Analysis and Interpretation

4.1 Data analysis

Table 4.1 – Descriptive statistics

Stats	EARN_MGT	CEO_OWNE	CEO_GEND	CEO_TENU	CEO_NATI
Mean	.2919661	.0215338	.0890411	.6769759	.0171821
p50	.07	.1	0	1	0
Max	1.35	.03	1	1	1
Min	-.86	0	0	0	0
Sd	.5090489	.386737	.285292	.4684374	.1301735
N	295	296	292	291	291

Source: Stata 14 output

The descriptive statistics result in table 4.1 provides evidence on the mean distribution, maximum, minimum, standard deviation, median and the count of the data collected which span from 2012 to 2021. The table 4.1 shows that the average Earnings Management is 0.29, minimum of -0.86 and maximum of 1.35, with standard deviation of 0.5. The result shows that the data varied widely since the standard deviation is higher than the mean value of the earnings management. CEO share ownership has average score of 2%, maximum of 3%, minimum of 0 and standard deviation of 0.38, which shows wide variability on the CEO ownership structure across the sampled firms. CEO gender has mean value of 0.089, maximum of 1, standard deviation of 0.2. The table provided also that average score of CEO tenure is 0.67, standard deviation of 0.46 which means that the firms have similar attitude to the tenures of the CEO. CEO nationality has average value of 0.017, standard deviation of 0.13 and maximum of 1. The scores indicate that the use of foreign CEO is not a common practice among the sampled firm in financial service sector.

Table 4.2

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	Z	Prob>z
EARN_MGT	295	0.90360	20.235	7.054	0.00000
CEO_OWNE	296	0.51578	101.942	10.848	0.00000
CEO_GEND	292	0.93545	13.428	6.089	0.00000
CEO_TENU	291	0.99591	0.848	-0.387	0.65080
CEO_NATI	291	0.70223	61.751	9.664	0.00000

Source: Stata 14 output

The study used Shapiro-wilk w to test the normality distribution of data generated and know if there is an outlier in the data. The table 4.1.2 indicates that the joint probability of CEO gender 0.65 is normally distributed as their joint P-value is higher than critical value of 5%. Meanwhile, joint probabilities of all other variables are not normally distributed since their joint P-values are less than critical value of 5%. The study therefore proceeds with nonparametric correlation test using spearman correlation.

Table 4.3 Correlation Matrix

	EARN_MGT	CEO_OWNE	CEO_GEND	CEO_TENU	CEO_NATI
EARN_MGT	1.0000				
CEO_OWNE	0.0076	1.0000			
CEO_GEND	0.1357	0.0087	1.0000		
CEO_TENU	0.0029	0.3398	0.0290	1.0000	
CEO_NATI	-0.0816	-0.1095	-0.0407	-0.0215	1.0000

Source: Stata 14 output

The correlation table above shows that accrual earnings management has positive and very low relationship with CEO ownership, CEO tenure and CEO gender at a correlation coefficient 0.007, 0.002 and 0.135 respectively. Although accrual earnings management has negative and very low relationship with CEO nationality (EARN_MGT/CEO_NATI = -0.081). Meanwhile, CEO ownership has positive and very low relationship with CEO gender at a coefficient of 0.008., CEO ownership has positive and moderate relationship with CEO tenure at a coefficient of 0.33, and CEO ownership has inverse and low relationship with CEO nationality.at a coefficient -0.109. CEO gender has positive and very low relationship with CEO tenure at 0.089 while CEO nationality has negative and very low relationship with CEO gender and CEO tenure on a correlation coefficient of -0.04 and -0.021 respectively. However, the result contained no multicollinearity problem as no correlation coefficient is above 0.7. Although, the study tested more detailed approach, the presence of multicollinearity using VIF.

Table 4.4 Variance Inflation Factor

Variable	VIF	1/VIF
CEO_OWNE	1.05	0.948682
CEO_TENU	1.05	0.951014
CEO_NATI	1.00	0.995161
CEO_GEND	1.00	0.996446
Mean VIF	1.03	

Source: Stata 14 output

Table 4.4, shows that mean VIF of 1.03 is lower than the acceptable mean VIF of 10. For that no case of high correlation of independent variables is recorded and conclude that no multicollinearity does not exist in our data.

Table 4.2.5 - Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance
Variables: fitted values of EARN_MGT

chi2(1) = 1.99
Prob > chi2 = 0.1583

Source: Stata 14 output

Heteroscedasticity test has a decision rule that there is no heteroscedasticity if the probability value is greater than the critical value at 5% level. The table 4.5 indicates that probability value of 0.15 is greater than the critical value of 0.05. Therefore, we conclude that no presence of heteroscedasticity is found in our data.

Table 4.6 - Ramsey RESET test using powers of the fitted values of EARN_MGT

Ho: model has no omitted variables
F(3, 282) = 1.84
Prob > F = 0.1399

Source: Stata 14 output

The result on the table 4.6 contains the test of whether the model was miss specified using Ramsey reset test. By its rule, a model is miss specified if the prob>F is lesser than 5%.

Table 4.7 - Regression results

Source	SS	df	MS		
				Number of obs	290
				F(4, 285)	4.79
Model	4.73484966	4	1.18371242	Prob > F	0.0009
Residual	70.445749	285	.247178067	R-squared	0.0630
				Adj R-squared	0.0498
Total	75.1805987	289	.26014048	Root MSE	.49717

EARN_MGT	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
CEO_OWNE	-.018858	.0055266	-3.41	0.001	-.0297361	-.0079799
CEO_GEND	.2180921	.1042039	2.09	0.037	.0129852	.423199
CEO_TENU	.058971	.0639615	0.92	0.357	-.0669258	.1848679
CEO_NATI	-.3795303	.2248277	-1.69	0.092	-.8220637	.0630031
_cons	.2864494	.052231	5.48	0.000	.183642	.3892568

Source: Stata 14 output

The result from table 4.7 provides reports of Ordinary Least Square (OLS) regression estimation technique.

The F-statistics, F (4, 285) = 4.79 and the Probability value, Prob > F = 0.0009 indicate that our model is valid and good for making inferences. The R^2 of 0.063 implies that the model will explain 6.3% of the variations in accrual earnings management of firms listed on the financial service sector of Nigeria exchange group.

4.2 Hypotheses testing and results discussion.

H1: CEO ownership has no significant effect on accrual earnings management of firms in the financial service sector.

Result on table 4.7 shows that CEO ownership has coefficient of -0.018, which indicates that the increase in CEO share ownership by one unit, would amount to decrease in accrual earnings management of the financial service sector firms 0.01 units, and the lesser the quantity of share held by the CEO, the more they would engage in deceptive accounting practices. The implication is that the CEO would want to be very honest in preparation of the accounts where he held a significant amount of share. This agrees with agency theory, and it reduces agency problems. Moreover, P-value (P>/t/= 0.001) is less than critical value of 0.05 which indicates that, CEO ownership has statistically significant effect on accrual earnings management of FSF listed on NEXG at 1% level. Sequel to these findings, the study concludes that CEO ownership has statistically significant effect on accrual earnings management FSF on NEXG. The result complies with the prior study that found that CEO ownership has strong influence on earnings management of non-FSF in Amman (Qawasmeh & Azzam, 2020).

H2: CEO gender has no significant effect on accrual earnings management of firms in financial service sector.

The result shows that CEO gender diversity has regression coefficient of 0.21. This indicates that CEO gender diversity has positive impact on the accrual earnings management of FSF in Nigeria. The result implies that a unit increase on the appointment of female CEO, would result to increased volume of accrual earnings management in the financial statements by 0.21 units at the constant placement of other variables. The P-value (P>/t/= 0.037) indicates that female CEO is significant influencer of accrual earnings management in Nigeria financial service sector. Therefore, we accept alternate hypothesis that posits that CEO gender diversity has a positive statistically significant impact on accrual earnings management of listed companies in financial service sector on Nigeria exchange group at 5% level. The result corroborates the finding made by Altarawneh, et al. (2022), who empirically found that women CEO has negative statistical strong impact on discretionary accrual of firms sampled in Malaysian market. The study result however disagrees with the outcome of the investigation in Nigeria which found that female CEO has positive insignificant effect on FRQ of the banks reviewed (Ashafoke, Dabor & Ilaboya, 2021).

H3: CEO nationality has no significant effect on accrual earnings management of firms in the financial service sector.

The result on table 4.7 also shows that CEO nationality has a regression coefficient -0.379. The statistical figure implies that CEO of foreign nationality and accrual earnings management of FSF on NEXG are inversely associating. Hence, the use of foreign CEO's would reduce the inclusion of accrual earnings management in the financial statements of financial service firms in Nigeria. It might emanate from the fact that foreign CEOs would want to prove their potentials to harness and expand benefits of the shareholder and showcase their understanding of the market environment of the Nigerian nation. The P-value (P>/t/= 0.092) indicates that foreign CEO is a determinant of accrual earnings management of the financial service sector at 10% significant level. Therefore, the study decided on alternate hypothesis that maintains CEO nationality has statistically significant effect on accrual earnings management of the firms under financial service sector of NEXG. The finding agrees with that of Orekhova, Kudin, and Kupera (2019), whose empirical result posit that foreign CEOs are faster to adapt to a new position that allows for improved profitability indices of their firms.

H4: CEO tenure has no significant effect on accrual earnings management of firms in financial service sector.

More results on table 4.7 shows that CEO tenure with a regression coefficient of 0.058 implies that, the CEO tenure has positive effect on accrual earnings management of firms in financial service sector from 2012 to 2021 financial years. In effect, the extended tenure of the CEO allows them to manipulate the earnings of the enterprises within the financial service sector. The P statistics that have the value of 0.357 indicates that CEO tenure is not a strong determinant of accrual earnings management in the financial service sector. Based on the forgoing, the study accept that CEO tenure has insignificant effect on accrual earnings management of FSF in NEXG. The finding corroborates that of Amelia and Eriandani (2021), which has it that CEO turnover has insignificant impact on earnings management of the firms quoted on the Indonesian stock exchange.

5. Conclusion and Recommendation

The study undertook an investigation to unravel the characteristics of the CEO that influence the misrepresentations on the financial statements of the organisation as asserted in upper echelon theory. We sampled firms from financial service sector of Nigeria economy that has not been considered by researchers. The study sourced secondary data from financial statement of the firms' published within 2012 and 2021. OLS regression estimation technique was used for making inferences after testing for the assumption OLS regression. The study drew conclusion that CEO ownership, CEO gender diversity and CEO nationality are very crucial attributes that were found to determine the risk of accrual earnings management inclusion in the financial statements of the financial service sector firms in Nigeria. It therefore recommends that.

1. The shareholders should make the CEO's take up good chunk of shares which will make them see the entity as their own and invariable reduce the agency cost and guarantee a financial statement that is free from accrual earnings management.
2. Appointment of female CEO should not be made a priority since the study did not find them a veritable instrument for preparing financial statements that is free from accrual earnings management.
3. The shareholder is encouraged to consider appointing foreign CEO to their organisations, who have empirically proved to have less flair for financial statement accrual earnings management, and the outcome possibly, is made because of their orientations.
4. Tenure of the CEO can be decided by the shareholders to either be short or long, since neither of them has any strong influence empirically on the accrual earnings management on the financial service firms of Nigeria exchange group.

Limitations and Suggestion for Further Studies

The study used only 30 firms from the financial service sector, out of the entire 50 firms listed under the sector, because we were challenged by getting the data of all the firms. The result is valid though because the sample represents 60% of the population. The study therefore encourages further studies on larger number of firms for the purpose of this investigation, to know if the result would be the same with this study.

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