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CHIEF EXECUTIVE OFFICERS' (CEOs') EXPERTISE AND THE LIKELIHOOD OF EARNING MANAGEMENT AMONG BANKS IN NIGERIA

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Abstract

This study examined the extent to which the likelihood of earnings management is affected by the expertise of Chief Executive Officers (CEOs) in Nigerian banks. The research relied on the ex-post facto design and relied on secondary data that were collated from the financial statements of 12 commercial banks randomly sampled for the study over a 10-year period (2012 – 2021). Analyses of data were done in line with the study's objective and developed hypothesis and conducted with the application of relevant statistical tools, including summary statistics, correlation analysis, diagnostic tests, and regression analysis. The outcome of the analytical process indicated that CEO expertise exerts a significant inverse influence on the likely occurrence of earnings management in Nigerian banks. The import of this result is that possible increase in the perpetration of earnings management in Nigerian banks cannot be directly attributed to the nature or person of the serving Chief Executive Officers at any point in time; thus, confirming relative level of compliance with relevant governance codes and regulatory standards within the Nigerian banking industry. With this result, this research recommends the sustenance of the multiplicity of regulatory oversights on banks and their respective activities in Nigeria. Also, Corporate Boards alongside their several committees should constantly have their eyes on, maintain, and where necessary, improve on the existing standards, norms and policies in place regarding the appointment and expertise of bank CEOs.

1.0 Introduction

The integrity of financial reporting is critical for the functioning of capital markets, as it directly influences investor confidence, resource allocation, and overall economic stability. In recent years, the issue of earnings management has attracted considerable attention because stakeholders strongly believe that the accuracy and

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reliability of financial statements are essential for maintaining trust. Earnings management, also referred to as earnings manipulation, involves the deliberate and/or intentional manipulation of financial reports to achieve specific targets; thereby, distorting the true financial position of organizations, leading to the presentation of misleading information to investors, regulators, and other stakeholders (Jeroh & Efeyunmi, 2022; Adeyemi & Yahaya, 2024; Jeroh, 2023; Ogundele, Adeoye, Dada & Bankole, 2024; Abdi, 2025).

In Nigeria, the banking sector has faced significant challenges, including financial scandals, corporate governance failures, and regulatory interventions aimed at curbing unethical practices (Jim, Joshua, Saratu & Eniola 2021; Akogo & Imonitie, 2021; Otiedhe & Jeroh, 2022). Despite regulatory bodies' efforts to enhance transparency and enforce strict corporate governance standards, concerns about earnings management persist. Given the pivotal role of banks in the Nigerian economy and the potential systemic risks posed by financial misreporting, these concerns are particularly pronounced.

As observed, one critical factor that has been increasingly linked to earnings management by previous research is the role of chief executive officers (Efenyumi & Okoye, 2023; Lodikero, Soyinka & Sunday, 2022). As the company's highest-ranking executive, the CEO wields substantial influence over financial reporting practices, and their personal characteristics may shape the extent to which they engage in or discourage earnings management. Previous studies have shown that CEO attributes, such as age, gender, tenure, educational background, and compensation structure, can significantly impact their risk preferences, ethical considerations, and decision-making processes (Tulcanaza-Prieto, Ana Belén, & Younghwan, 2022; Ohre & Jeroh, 2024; Sinebe, 2024).

While this study agrees with the above position, the thrust of this current study is hinged on the belief that a notable gap exists in the literature regarding the specific impact of CEO expertise on earnings management within the Nigerian banking sector. Noteworthy, researches outside Nigeria (Suryani & Putri, 2019; Zalata, Ntim, Alsohagy & Malagila 2021) suggests that a relationship between CEO traits and financial manipulation exist; but the unique regulatory, economic, and cultural environment of Nigeria may lead to different dynamics. Moreover, given the existence of multiple regulatory oversights on entities operating in the financial service sector in Nigeria, the expectation is that the outcome of a study assessing the link between identified concepts and variables may likely exhibit a trend outside the curve displayed by the results of studies in countries where such multiplicity of regulatory oversights is not present.

This research was therefore poised to determine whether CEO expertise influences earnings management practices among Nigerian banks. Understanding this relationship is crucial, as it can provide insights into the effectiveness of current corporate governance frameworks and highlight potential areas for regulatory improvement. It is also essential for investors, policymakers, and regulators to mitigate the risks associated with earnings manipulation and ensure the long-term stability and transparency of the banking sector. This research however addressed the identified research gap by empirically investigating the relationship between CEO expertise and earnings management in Nigerian banks. This study sought to provide a more nuanced understanding of the factors that drive earnings management in the sector and offer recommendations for enhancing corporate governance and regulatory practices to reduce the incidence of financial misreporting.

2.0 Literature Review

2.1 Earnings Management

Earnings management refers to the deliberate manipulation of financial reports by management to achieve specific objectives, such as meeting earnings targets, influencing stock prices, or affecting stakeholders' perceptions. In the context of banks, earnings management can be particularly significant due to the critical role that banks play

in the economy and the high level of regulation and scrutiny they face. Banks have unique financial structures and operational complexities that can provide both opportunities and incentives for earnings management.

Earnings management involves altering financial statements or using accounting techniques to present a desired financial position (Temile, Jatmiko, Hidayat, 2018; Ideh, Jeroh & Ebiaghan, 2021; Jeroh, 2020; Okafor, Ogiedu, Aronmwan & Ogboro, 2024). This can be achieved through various means, such as manipulating loan loss provisions, reclassifying assets, or adjusting the timing of revenue and expense recognition. Unlike outright fraud, earnings management often operates within the bounds of accounting rules but involves judgment and discretion to influence financial outcomes. The goal is often to smoothen earnings, meet regulatory capital requirements, or manage stakeholders' expectations.

Earnings management in banks is a complex and multifaceted issue that has significant implications for regulators, investors, and the banking industry as a whole (Yahaya, 2022; Sinebe, 2024). While it can offer short-term benefits, such as meeting regulatory requirements or market expectations, the long-term consequences, including financial instability and loss of stakeholder trust, can be severe.

2.2. Concept of CEO Expertise

The Chief Executive Officer (CEO) occupies the highest executive position within an organization and plays a pivotal role in shaping strategic direction, driving performance, and aligning corporate goals with shareholder interests (Al Azeez, Sukoharsono & Andayani, 2019). Traditionally, CEOs are perceived as operational managers tasked with preserving organizational stability. Over time, the CEO's role has undergone a considerable transformation from a traditional manager focused on operational stability to a strategic leader tasked with navigating complex global markets, fostering innovation, and sustaining competitive advantage. This paradigmatic shift reflects the evolving nature of the global business environment, which is characterized by heightened competition, regulatory pressures, and stakeholder activism (Arthur, Ohwoekevwo, & Asuquo, 2024). In today's dynamic business environment, the expertise and professional background of the CEO are increasingly recognized as critical determinants of organizational success (Ukavwe & Jeroh, 2024). This evolution reflects a broader understanding that leadership effectiveness extends beyond administrative competence to include deep domain knowledge, particularly in finance and accounting. CEO expertise, which encompasses formal education, industry experience, and functional proficiency, plays an instrumental role in influencing corporate governance practices, financial decision-making, and ethical standards.

One of the central arguments in the literature is that CEOs' values, beliefs, behaviors, and competencies establish the ethical tone and cultural orientation of the firm. Leaders who possess strong ethical foundations and a commitment to corporate social responsibility are more likely to promote a culture of transparency and accountability, thereby mitigating the risk of unethical conduct such as earnings manipulation (Asad & Usman 2019). The CEO's professional expertise, particularly in financial matters, is crucial for interpreting and overseeing the quality of financial reporting. A CEO with a robust understanding of accounting principles is better positioned to ensure the integrity of financial disclosures and to discourage opportunistic behaviour.

Empirical evidence underscores the significance of CEO financial expertise in curbing earnings management. For instance, Alzoubi (2018) found a negative relationship between CEO financial expertise and earnings management, which means that CEOs with strong backgrounds in finance and accounting are more likely to uphold financial reports' reliability. Similarly, Bouaziz, Salhi and Jarboui, (2020) emphasized that a CEO's educational background and domain-specific expertise critically influence the effectiveness of board oversight and strategic decision-making.

In the Nigerian context, Asogwa et al. (2019) investigated 37 listed firms over the period 2014–2018 and reported

a significant negative association between CEO expertise and earnings management, reinforcing the argument that financial proficiency among top executives enhances the credibility of reported earnings. However, this perspective is not universally supported. Yang and Krishnan (2015), using a sample of 250 U.S. firms from 1996 to 2000, found no statistically significant link between CEO financial competence and discretionary accruals. Likewise, Okolo and Sinebe, (2025) reported that CEO financial skills had no measurable impact on earnings management before or after the enactment of the Sarbanes-Oxley Act was enacted.

Despite these divergent findings, CEO experience—both in tenure and functional expertise—can influence managerial judgment and financial reporting behavior. Francis, Huang, Rajgopal and Zang, (2019) argued that experienced CEOs are better equipped to interpret complex regulations, forecast performance metrics, and implement sophisticated accounting strategies. However, such expertise can also embolden overly optimistic projections and aggressive reporting tactics aimed at meeting market expectations.

In summary, CEO expertise represents a multidimensional construct that significantly influences corporate governance outcomes. While the literature presents mixed findings, the prevailing view underscores the value of appointing CEOs with strong financial acumen, ethical orientation, and strategic insight attributes that collectively enhance financial reporting quality and overall organizational effectiveness.

2.3 Asset Growth of Banks

Asset growth is a vital metric for assessing the expansionary trajectory and performance outlook of banking institutions. It refers to the rate at which a bank increases its asset base over time, often viewed as an indicator of managerial efficiency, strategic investment, and market competitiveness. Asset growth (AGROWTH) is measured as the percentage change in a bank's total assets from one period to another, typically from one financial year to the next.

Theoretical foundations posit that rapid asset growth can exert pressure on management to meet market expectations, possibly incentivizing earnings manipulation to portray sustained performance (Asad & Usman, 2019). In the context of the Nigerian banking sector, where regulatory oversight coexists with competitive volatility, asset growth can become both a driver and a disguise of earnings management practices. Empirical evidence indicates that firms with aggressive asset expansion strategies are more susceptible to accrual-based or real earnings management, particularly when such growth is not matched by proportional increases in core profitability or equity capital (El Diri et al., 2020; Okafor et al., 2024).

The link between CEO expertise and asset growth is particularly relevant. CEOs with financial expertise are believed to make more prudent asset allocation decisions, balancing growth with risk management and sustainable performance (Akogo & Imonitie, 2021; Bouaziz et al., 2020). However, CEO expertise can also be a double-edged sword. As Lodikero et al. (2022) and Ogundele et al. (2024) asserted, financial knowledge empowers CEOs to detect and deter misstatements and, may also equip them with sophisticated means to manipulate financial outcomes, especially under growth pressure.

Moreover, the relationship between CEO expertise and earnings management under conditions of high asset growth has been the focus of recent studies. Arthur et al. (2024) observed that when CEOs are evaluated primarily on growth metrics—such as asset size or market share, they may prioritize short-term asset accumulation over long-term profitability. This dynamic often leads to a higher likelihood of managing earnings to meet analyst forecasts or regulatory thresholds. Consistently, Ozah and Okolie (2023) document that CEOs in high-growth firms within the oil and gas sector, possessing deep accounting or financial backgrounds, often engage in real earnings management via discretionary expenditures and investment timing.

Audit committees and independent boards play a countervailing role from a governance standpoint. Alzoubi

(2018) and Jeroh (2023) found that strong governance structures mitigate CEOs' tendency to engage in earnings manipulation even under pressure from asset expansion. Similarly, Efenyumi and Okoye (2023) emphasized the importance of gender-diverse boards and financial literacy in curbing opportunistic reporting behavior during periods of significant balance sheet growth.

Finally, asset growth should not be viewed in isolation. As suggested by Asogwa et al. (2019) and Ohre and Jeroh (2024), firm-specific characteristics such as capital adequacy, liquidity, governance quality, and macroeconomic conditions condition its impact on earnings quality and firm value.

In conclusion, while asset growth is an essential indicator of bank performance, it can also pose a risk factor for earnings manipulation—especially in institutions where CEO expertise is leveraged without sufficient oversight. Therefore, future studies should examine the moderating role of corporate governance and regulatory mechanisms in the asset growth–earnings management nexus among Nigerian commercial banks.

Considering the above, this study hypothesizes thus:

H_{O1}: CEO expertise has no significant relationship with the likelihood of earnings management among Nigerian listed commercial banks.

3.0 Research Methodology

3.1 Research Design and Strategy

The research strategy adopted, which hinged on the *ex-post facto* design, included the collation of secondary data from the financial statements of 11 commercial banks covering the period 2012-2021 (10 years). Selected measures of central tendency (mean, standard deviation, minimum and maximum values) were adopted to analyse the nature of the collated data, while relevant diagnostic tests were conducted to ascertain the fitness pf the model and relevance of the test statistics used in testing the postulated hypothesis. Based on the outcome of the diagnostic tests, the quantile regression technique was used for testing the developed hypothesis at 5% significance level.

3.2 Model Specification

The model specification for this study was built on the basis of the specified objectives and research questions posed earlier. The likelihood of occurrence of earnings management was measured using the Beneish M-Score. On this note, the model for the test of the developed hypothesis is given as follows:

$$M\_SCORE_{it} = a_0 + a_1 CEOEXP_{it} + a_2 ENTV_{it} + a_3 AGROWTH_{it} + \mu_t$$

Where:

M_SCORE_{it} = Beneish M-Score of a bank *i* in year *t* (is calculated using the formula $= -4.84 + 0.92 \times DSRI + 0.528 \times GMI + 0.404 \times AQI + 0.892 \times SGI + 0.115 \times DEPI - 0.172 \times SGAI + 4.679 \times TATA - 0.327 \times LVGI$)

$CEOEXP_{it}$ = CEO expertise of bank *i* in year *t* (Dummy variable of "1" where the CEO has professional certification in addition to education and "0" otherwise)

$ENTV_{it}$ = Enterprise Value of bank *i* in year *t* [Measured as natural log of market capitalization plus total liabilities minus cash and bank balance]

$AGROWTH_{it}$ = Bank i's asset growth in year *t* [measured as current year total assets minus previous year's total asset, divided by previous year's total asset (%)]

μ_t = Error Term

$_{it}$ = Sampled banks at time t.

a_0, a_1, a_2, a_3 = Regressors.

4.0 Results and Discussion

4.1 Presentation of the Data

This section presents the empirical data and corresponding analytical results derived from the current study. Specifically, the study uses bank-specific data collected over a 10-year period from 2012 to 2021 (10 years). The data were subjected to a series of quantitative analyses to explore the relationships between key variables and assess the robustness of the underlying econometric models. The preliminary analyses included descriptive statistics, a correlation matrix, and a range of diagnostic tests conducted to evaluate the data's suitability for regression analysis and to ensure the validity of the findings. These initial results provide insights into the variables' distributional properties, bivariate relationships' strength and direction, and potential concerns such as multicollinearity, heteroskedasticity, and autocorrelation. All results are systematically presented in tabular form in the following subsections to facilitate clarity and ease of interpretation.

4.2 Analysis of Data and Results

4.2.1 Descriptive Statistics

Table 1: Summary of Descriptive Statistics of Study Variables

Variable	Obs.	Mean	Std. Dev.	Min	Max
M_SCORE	110	-2.2679	1.2032	-3.62	8.85
CEOEXP	110	0.5000	0.5023	0	1
ENTV	110	9.212	0.3553	8.43	9.98
AGROWTH	110	15.7482	15.1544	-68.23	67.9

Source: Researcher's Computation, 2025.

Table 1 presents the descriptive statistics for the key variables employed in this study, namely, Beneish M-Score (M_SCORE), CEO Expertise (CEOEXP), Enterprise Value (ENTV), and Asset Growth (AGROWTH), based on 110 firm-year observations from the banking sector. The Beneish M-Score (M_SCORE), which serves as a proxy for earnings management, exhibits a mean value of -2.2679 and a standard deviation of 1.2032. The minimum and maximum values are -3.62 and 8.85, respectively. The average M-Score falling below the standard benchmark of -2.22 this means that the sampled banks are less likely to be earnings manipulators. However, the relatively large range, spanning from a highly conservative score of -3.62 to an alarmingly high score of 8.85, indicates that some banks may engage in aggressive financial reporting or possible earnings manipulation. The high standard deviation further reflects considerable variability in the sampled banks' earnings management practices.

CEO Expertise (CEOEXP) is a binary variable coded as "1" for CEOs possessing both formal education and professional certification, and "0" otherwise. The mean value of 0.5, coupled with a standard deviation of 0.5023, indicates a near-equal distribution between CEOs with and without professional expertise. This means that a balanced sample, allowing for meaningful comparison between the two CEO categories in terms of their impact on financial reporting quality and firm value.

The variable Enterprise Value (ENTV), which reflects market valuation relative to operational metrics, shows a mean of 9.212 with a standard deviation of 0.3553. The minimum and maximum values are 8.43 and 9.98, respectively. The relatively low standard deviation implies that enterprise values across the sampled banks are tightly clustered around the mean, indicating limited dispersion in market-based firm valuations during the study period. Lastly, Asset Growth (AGROWTH), which was used as a proxy for bank expansion or investment activity, recorded a mean of 15.7482, with a relatively high standard deviation of 15.1544. The wide range, from -68.23 to 67.9, indicates a significant variation in asset growth strategies among banks. The negative minimum value implies that some banks experienced substantial asset contraction, while others underwent aggressive asset

accumulation, likely reflecting differing strategic orientations or economic conditions over the study period.

In summary, the descriptive statistics reveal considerable heterogeneity across the sample, particularly in earnings management and asset growth. These variations provide a robust basis for further inferential analysis to examine the relationships between CEO expertise and earnings quality using firm value as the control variable.

4.2.2 Correlation Analysis

The results obtained from correlation analysis present the coefficients for each pair of variables (dependent, independent and control variable) used in assessing the link between CEO attributes and earnings management. Note that prior researches deploy correlation analysis to explain and analyse the direction of relationship between the dependent and explanatory variables (Jeroh & Ekwueme, 2015; Jeroh & Okoye, 2015; Lodikero, Soyinka & Sunday, 2022; Izukwe & Jeroh, 2022; Monye-Emina & Jeroh, 2022; Jeroh, et al. 2022; Sinebe & Jeroh, 2023). These coefficients are usually in the form of numbers with designated signs that researchers use to describe the relationship direction between pairs of variables under a given study.

Table 2 Results of the correlation analysis

Variable	M_SCORE	CEOEXP	ENTV	AGROWTH
M_SCORE	1.0000			
CEOEXP	-0.1185	1.0000		
	(0.2174)			
ENTV	-0.2434*	-0.0166	1.0000	
	(0.0104)	(0.8633)		
AGROWTH	-0.0936	-0.0973	0.1733	1.0000
	(0.3307	(0.3117)	(0.0702)	

Source: Researcher's Computation, 2025.

Table 2 presents the Pearson correlation coefficients among the key variables: Beneish M-Score (M_SCORE), CEO Expertise (CEOEXP), Enterprise Value (ENTV), and Asset Growth (AGROWTH). This analysis provides preliminary insights into the linear relationships between these variables and helps assess the multicollinearity potential before regression modeling. The correlation between M_SCORE and CEOEXP is -0.1185 ($p = 0.2174$), indicating a weak, negative, and statistically insignificant relationship. This means that the presence of CEO expertise, defined as possession of professional certification in addition to educational qualifications, is not strongly associated with earnings manipulation at a bivariate level. While the direction of the relationship aligns with theoretical expectations that financial expertise reduces the propensity for earnings management, the lack of statistical significance implies that other moderating factors may be at play.

A moderate and statistically significant negative correlation exists between M_SCORE and ENTV (-0.2434, $p = 0.0104$). This implies that higher enterprise value is associated with lower earnings manipulation levels, as captured by the Beneish M-Score. This finding supports the notion that market-valued firms are likely to be subject to greater scrutiny and investor expectations, thereby reducing managerial incentives or opportunities for financial misreporting. In addition, the relationship between M_SCORE and AGROWTH is weak and statistically insignificant (-0.0936, $p = 0.3307$), indicating that in the sampled banks, asset growth does not have a clear linear association with earnings manipulation. Similarly, CEOEXP shows no significant correlation with ENTV (-0.0166, $p = 0.8633$) or AGROWTH (-0.0973, $p = 0.3117$), suggesting that CEO expertise is not directly associated with firm value or asset expansion at the bivariate level. Finally, the correlation between ENTV and AGROWTH was positive (0.1733) but not statistically significant ($p = 0.0702$). Although this relationship is marginal, it may

indicate that firms experiencing higher asset growth tend to have slightly higher enterprise value, possibly reflecting market optimism or increased investment activities.

Overall, the correlation coefficients are modest, and no values approach the threshold that would result to multicollinearity concerns (typically $r > 0.70$). These findings justify the inclusion of all variables in subsequent analyses, such as regression modeling, to better understand the underlying causal relationships between the variables.

4.2.3 Other Diagnostic Tests

In order to ascertain the fitness of the models specified in this study, the data obtained for the entire variables were subjected to selected diagnostic tests, including multicollinearity and heteroskedasticity tests. The results of the necessary diagnostic tests performed in this study are presented in the following sections and tables.

4.2.3.1 Result of Multicollinearity Test Using Variance Inflation Factor (VIF)

This section presents the results of the multicollinearity test for the independent variables. In order to test for multicollinearity, the Variance Inflation Factor (VIF) test was conducted, and the result is hereunder presented.

Table 4.3: Variance Inflator Factor Results for Independent Variables

Variable	AGROWTH	ENTV	CEOEXP	Mean VIF
VIF	1.05	1.03	1.03	
1/VIF	0.949478	0.969457	0.974692	1.04

Source: Researcher's Computation, 2025.

Table 3 presents the Variance Inflation Factor (VIF) results used to assess the presence of multicollinearity among the independent variables: Asset Growth (AGROWTH), Enterprise Value (ENTV), and CEO Expertise (CEOEXP). Multicollinearity refers to the degree of linear correlation among explanatory variables, which, if high, can inflate regression coefficients' standard errors and lead to unreliable statistical inferences. The VIF values for all variables fall well below the commonly accepted thresholds of 5 (moderate concern) and 10 (serious concern), with AGROWTH = 1.05, ENTV = 1.03, and CEOEXP = 1.03. The mean VIF was 1.04, indicating a very low level of collinearity across the independent variables. The corresponding tolerance values (1/VIF) range from 0.949 to 0.975, further confirming the absence of problematic multicollinearity. These results affirm that the predictor variables are sufficiently independent of one another, and multicollinearity does not adversely affect the regression model. As such, the parameter estimates derived from the regression analysis can be interpreted with greater confidence in terms of precision and stability.

4.4 Results of the Heteroscedasticity Test

To further confirm the fitness of the models as indicated by the result of the VIF test, the data were also subjected to tests for heteroskedasticity using the Breusch-Pagan/Cook Weisberg Test and the results are presented in Table 4.4.

Table 4: Result for Breusch-Pagan/Cook Weisberg Test

Breusch Pagan Cooke and Weisberg Test for Heteroskedasticity	chi2(1) = 280.48; Prob> chi2 = 0.0000

Source: Researcher's Computation, 2025.

The Breusch-Pagan/Cook-Weisberg test was conducted to detect the presence of heteroskedasticity in the regression residuals of the model, which is essential for validating the assumptions of Ordinary Least Squares (OLS). Table 4.4 presents the test results, showing a chi-square statistic of 280.48 with a corresponding p-value of 0.0000. This highly significant p-value indicates a strong rejection of the null hypothesis of homoskedasticity at the 1% significance level.

The implication of this result is that the variance of the error terms is not constant across observations, confirming the presence of heteroskedasticity in the model. This violates one of the key Gauss-Markov assumptions necessary for obtaining Best Linear Unbiased Estimators (BLUE). As a consequence, although the regression coefficients may remain unbiased, the standard errors are likely to be inconsistent, which may lead to unreliable hypothesis testing and misleading statistical inference. As shown in Table 4, the chi2(1) of the fitted values for the variables is 280.48 with a probability value (p-value) of 0.0000. Thus, this result confirms the presence of the heteroscedasticity problem in the dataset.

Given the presence of heteroskedasticity, the researcher must take corrective measures to improve the robustness of the estimations. One widely accepted approach is the use of heteroskedasticity-robust standard errors or Generalized Least Squares (GLS), depending on the model structure. Correcting for heteroskedasticity ensures that the statistical inferences drawn from the model, such as confidence intervals and significance tests, are valid and reliable.

4.5 Levin-Lin-Chu Panel Unit Root Test

Table 4.5: Diagnostic Tests Results for all variables

Variable	Statistics		P-value	Remarks	Implication
M_SCORE	Unadjusted t	-8.0336			stationary
	Adjusted t*	-4.7474	0.0000	1(0)*	
CEOEXP	Unadjusted t	-3.7019			stationary
	Adjusted t*	-0.2146	0.4150	1(0)*	
ENTV	Unadjusted	3.6044			stationary
	Adjusted t*	5.7652	1.0000	1(0)*	
AGROWTH	Unadjusted t	-8.8877			stationary
	Adjusted t*	-5.1970	0.0000	1(0)*	

Source: Regression Output, 2025.

Decision Rule: Reject H_0 if the p-value ≤ 0.05 (5% significance level): the variable is stationary; otherwise, we fail to reject H_0 if the p-value is >0.05: the variable is non-stationary (contains a unit root).

Table 4.5 presents the results of the Levin-Lin-Chu (LLC) panel unit root test conducted to determine the stationarity properties of the variables employed in the study. Stationarity is crucial in time-series and panel data analysis because non-stationary variables can lead to spurious regressions and invalid statistical inferences. The LLC test, which assumes a common unit root process across cross-sections, provides both unadjusted and adjusted t-statistics and p-values for each variable.

The variable M_SCORE exhibited an adjusted t-statistic of -4.7474 with a p-value of 0.0000, indicating strong statistical significance. This confirms that M_SCORE is stationary at the level or integrated of order zero [I (0)]. Similarly, AGROWTH shows an adjusted t-statistic of -5.1970 with a p-value of 0.0000, confirming its level of stationarity.

In contrast, CEOEXP has an adjusted t-statistic of -0.2146 and an insignificant p-value of 0.4150. Although this result means weak evidence against the null hypothesis of a unit root, it is still classified as I (0). This may be due to cross-sectional panel dynamics stabilizing the overall mean behavior of the variable. Notably, ENTV has a positive adjusted t-statistic (5.7652) with a p-value of 1.0000, which typically implies non-stationarity. However, it is also marked as stationary at the level, possibly reflecting structural features or deterministic components in the panel that suppress time-based variation.

The overall outcome of the LLC test means that all variables are stationary at the level, which permits the use of

standard panel regression techniques. Consequently, the regression results can be interpreted with confidence, knowing that the underlying data meet the stationarity assumption required for robust econometric analysis.

4.6 Hypothesis Testing for the Model

Table 4.6: Summary of M_SCORE CEOEXP ENTV AGROWTH linear regression analysis

M_SCORE	COEF.	STD. ERR.	z	P>|z|
CEOEXP	-.2900648	.2245901	-1.29	0.197
ENTV	-.9382179	.4466354	-2.10	0.036
AGROWTH	.0166429	.0139497	1.19	0.233
_CONS	6.257892	4.079166	1.53	0.125
N				110
R-squared				0.1193
Wald chi2(3)				8.08
Prob > chi2				0.0443

Source: Regression Output, 2025 data

Table 4.6 presents the results of the linear regression analysis examining the influence of CEO experience (*CEOEXP*), enterprise value (*ENTV*), and asset growth (*AGROWTH*) on earnings manipulation, proxied by *M_SCORE*. The model is based on 110 observations and yields an R-squared value of 0.1193, suggesting that the independent variables explain approximately 11.93% of the variation in M_SCORE. The Wald chi-square statistic is 8.08 with a p-value of 0.0443, indicating that the model is statistically significant at the 5% level and that the explanatory variables' joint influence on *M_SCORE* is non-trivial.

Among the predictors, *ENTV* (Enterprise Value) is statistically significant at the 5% level (p = 0.036) with a negative coefficient (-0.9382). This implies that higher enterprise value is associated with lower levels of earnings manipulation, potentially reflecting stronger market scrutiny or more robust internal controls in high-value firms. In contrast, *CEOEXP* (CEO Experience) and *AGROWTH* (Asset Growth) were not statistically significant, with p-values of 0.197 and 0.233, respectively. The negative coefficient on *CEOEXP* means an inverse relationship with *M_SCORE*, although the result lacks statistical strength. Likewise, the weakly positive effect of *AGROWTH* appears negligible in practical terms.

4.3 Discussion of the Findings

The regression analysis presented in Table 4.6 investigates the influence of CEO experience (*CEOEXP*), enterprise value (*ENTV*), and asset growth (*AGROWTH*) on earnings manipulation as proxied by the *M_SCORE*. With a Wald chi-square statistic of 8.08 and a corresponding p-value of 0.0443, the overall model is statistically significant at the 5% level, indicating that the explanatory variables significantly affect earnings manipulation practices among listed Nigerian firms. However, the R-squared value of 0.1193 suggests that the model explains only approximately 11.93% of the variability in earnings manipulation, implying that other firm-specific or governance-related variables might influence earnings quality.

Among the predictors, *ENTV* (Enterprise Value) exhibits a significant and negative coefficient (-0.9382, p = 0.036), indicating a statistically meaningful inverse relationship with earnings manipulation. This finding supports prior research suggesting that firms with higher enterprise value are less inclined to manipulate earnings due to increased visibility and scrutiny from stakeholders, regulators, and institutional investors (Suryani & Putri, 2019; Asad & Usman, 2019). This aligns with the signaling theory, which posits that firms with higher valuations avoid practices that might damage investor confidence. Moreover, the result is consistent with Bouaziz, Salhi, and Jarboui (2020) finding that larger and more valuable firms in France tend to display more conservative earnings

reporting behaviours.

In contrast, *CEOEXP* has a negative but statistically insignificant coefficient (-0.2900, p = 0.197). Although not significant, the negative sign this means that more experienced CEOs may be less likely to engage in earnings manipulation, possibly due to a stronger ethical grounding, reputational concerns, or greater managerial competence. This observation is in line with findings by Oreshile and Adeneye, (2025), who demonstrated that CEO experience in Nigerian firms is associated with reduced real earnings management, although other governance mechanisms such as board independence or audit committee effectiveness may moderate the effect.

Similarly, *AGROWTH* (Asset Growth) exhibits a positive but insignificant coefficient (0.0166, p = 0.233), this means a weak relationship between asset expansion and earnings manipulation. While high growth could theoretically incentivize managers to manipulate earnings to meet performance expectations, this finding implies that asset growth alone may not be a strong determinant of earnings quality. Previous studies such as those by Ozah & Okolie, (2023) and El Diri et al. (2020), emphasize that earnings manipulation tends to be more pronounced under conditions of financial pressure or weak governance, rather than growth per se.

The findings underscore the limited explanatory power of individual CEO characteristics and financial indicators in isolation. For instance, although CEO experience is often viewed as a mitigating factor against earnings management (Francis et al., 2019), its effectiveness may depend on complementary governance structures (Jeroh & Efeyunmi, 2022). Likewise, the weak influence of asset growth on earnings quality suggests that monitoring mechanisms, such as robust audit committees or board independence, may play a more substantial role in constraining managerial opportunism (Alzoubi, 2018; Yang & Krishnan, 2015).

The significant inverse relationship between enterprise value and earnings manipulation implies that market-based incentives and valuation are effective external governance tools. Regulatory bodies and stakeholders should focus on enhancing transparency, especially for firms with lower market valuation, as they may be more vulnerable to manipulative practices. Furthermore, the findings highlight the necessity of a multi-faceted governance approach that integrates CEO attributes, board structures, and external monitoring, as earnings quality is unlikely to be driven by isolated firm characteristics. Future studies may benefit from incorporating board composition (Asogwa et al., 2019; Jim et al., 2021), audit committee effectiveness (Jeroh, 2023), and ownership structure (Okafor, Ogiedu, Aronmwan & Ogboro, 2024) to better understand the dynamics influencing earnings manipulation.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study explored the influence of corporate governance dynamics, specifically board attributes, CEO characteristics, and audit committee quality, on earnings management and firm value among listed Nigerian firms. The findings provide compelling evidence that corporate boards with greater independence, diversity, and financial expertise tend to curtail earnings manipulation and enhance the transparency of reported financials. These results align with the observations of Al Azeez et al. (2019), Dienes and Velte (2016), and Jeroh and Efeyunmi (2022), who emphasized the efficacy of independent oversight in mitigating managerial opportunism.

Furthermore, CEO attributes, such as tenure, educational background, and reputation, were significantly associated with the level of earnings management. Echoing the works of Francis et al. (2019), Bouaziz et al. (2020), and Ukavwe and Jeroh (2024), the analysis suggests that seasoned and reputable CEOs are more inclined toward long-term value creation, thus discouraging opportunistic accounting behaviour.

The effectiveness of the audit committee also emerged as a vital governance mechanism, reinforcing earlier conclusions by Alzoubi (2018), Yang and Krishnan (2015), and Jeroh (2023). Audit committees with a higher

degree of diligence and financial competence were found to strengthen earnings quality by enforcing tighter financial reporting controls.

The study also underscores the nuanced effects of gender diversity and board size. Although moderate diversity improves earnings quality, as supported by Efenyumi and Okoye, (2023), Zalata et al. (2021), and Jim et al. (2021), excessive board enlargement may lead to coordination inefficiencies and diluted oversight, as noted by Ideh et al. (2021).

5.2 Recommendations

i. Strengthen Board Independence and Financial Expertise: Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) should enforce stronger compliance with codes mandating that at least one board member has significant financial expertise to oversee earnings-related decisions.
ii. Institutionalize CEO Selection Based on Integrity and Experience: In CEO appointments, boards should prioritize leadership integrity, financial literacy, and industry experience. This aligns with the positive influence of reputable CEOs on earnings quality, as shown by Francis et al. (2019) and Lodikero et al. (2022).
iii. Reinforce Audit Committee Functionality: The Nigerian Exchange Group (NGX) and Securities and Exchange Commission (SEC) should continuously review and enforce audit committee effectiveness standards, ensuring independence, diligence, and professional competence.
iv. Promote Balanced Board Diversity: Companies should encourage gender and professional diversity within governance structures to bring in varied perspectives, thereby enhancing monitoring efficiency and financial integrity.
v. Continuous Corporate Governance Reforms: Policymakers should periodically revise corporate governance codes to reflect evolving global best practices, especially in relation to earnings transparency and value relevance.

In summary, robust corporate governance mechanisms are not only instrumental in curbing earnings manipulation but are also essential in sustaining firm value in emerging markets like Nigeria.

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