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MANAGERIAL CHARACTERISTICS AND REAL EARNINGS MANAGEMENT

Tina O. Ashafoke Department of Accounting, University of Benin, Nigeria

Godstime O. Ikhu-Omoregbe Department of Accounting, University of Benin, Nigeria

Abstract

The study examined the relationship that exists between managerial characteristics and real earnings management using quoted manufacturing companies in Nigeria. The study examined the impact of managerial tenure, managerial financial expertise, managerial overconfidence and managerial board membership on real earnings management. Data was gathered from 25 quoted manufacturing companies. Secondary data was derived from annual reports of over 8 years for the period of 2014-2021. The panel regression analysis approach will be used to test the hypotheses and measure the relationship between the variables. Descriptive statistics, correlational analysis and test of normality of the variables were also used to further measure the variables. Results from the analysis shows that: there exists a negative and insignificant relationship between managerial tenure and REM, there exists a negative and significant relationship between managerial financial expertise and REM, there exists a negative and insignificant relationship between managerial overconfidence and REM and there exists a negative and insignificant relationship between managerial board membership and REM. The study concludes that there is a significant relationship managerial financial expertise and real earnings management on quoted Nigerian manufacturing companies. The study recommends that managers with a high level of financial expertise be appointed to prevent real earnings management. It also recommends that organizations should pay closer look to overconfident managers as they possess the tendency to overestimate their ability to generate returns.

Keywords: Managerial Board Membership, Managerial Financial Expertise, Managerial Overconfidence, Managerial Tenure, Real Earning Management.

1. Introduction

The quality of reporting financial reports is of utmost importance and therefore cannot be overemphasized, as there is a reliance of diverse users of financial information on the financial reports that has been generated by an organization's management to make informed decisions. These financial reports are means for communication as it comprises the organization's management as those involved in its preparation, investors as the principal users as well as the government and the public as secondary users of this financial information (Al-Absy, 2022; Attia, Ismail, & Mehafdi, 2022; Olowokure, Tanko, & Nyor, 2016).

Although, there have been problems accompanying the transparency of financial information as well as reoccurring practices of manipulation of accounting information, this has called for the attention of a lot of accounting practitioners and researchers, because the importance of presenting financial information is a crucial topic of focus among investors, regulatory agencies, accounting researchers, including the accounting profession (Amara, Amar, & Jarboui, 2013).

The legendary scandalous cases of Enron and WorldCom in the US in the year 2001 and 2002 respectively, Parmalat in Italy occurring in the year 2003, Chinese Aviation Oil in Singapore which occurred in the year 2004 and many other instances stand out as benchmarks in recent economic history. In Nigeria, the Cadbury Nig PLC scandal which occurred in 2006 has remained a focus point for fraudulent reporting of

financial statements. Other cases of fraudulent and untrue financial reporting include the 2008 financial crisis, the Tesco accounting scandal in 2014, Toshiba accounting controversy in 2015, Gupta scam in 2017, and Samsung accounting disaster in 2018, have severely questioned the value relevancy of accounting data. The above listed scandals involve falsification of financial information by managers, which involves manipulating income figures, misuse of accounting principles and standards'; the scandals led to the downfall of these great firms and has now stood a huge risk to the reliability of accounting results. To this reason, accounting statements in many instances now contain exaggerated earnings manipulation (Rezaee, 2005; Zouari, Lakhal, & Nekhili, 2012). These managers' shortcomings in business management are one of the causes of the global sequence of financial scandals and fraud. Managers occasionally manipulate profits when they don't accomplish their duties. Managers of these corporations make an effort to portray how enterprises were doing well for a number of years prior, but suddenly they were unable to manage earnings and the businesses ultimately filed for bankruptcy (Al-Absy, 2022; Simamora, 2021).

Manipulated reported earnings because of real activities management technique is also a foundation of major scandals as relating to accounting; the study of real earnings management has become a significant problem for consumers of accounting data because of these controversies (Perols & Lougee, 2011). While discussing accounting scandals and the outcome of misreporting, the likes of Skye bank, Cadbury and others also stand out. These scandals show managers' manipulation in the financial report since they are responsible for its preparations and the way and manner it is reported (Zouari, et al., 2012).

According to Chou and Chan (2018), the people in charge of an organization's performance are called managers; they also have a lot of power over the decisions that are made within an organization. Therefore, it is ultimately the decision of the management on what way and manner to present their reported earnings.

The individual-specific preferences of managers in an organization habitually impact the financial reporting and the voluntary disclosure outcomes (Wang, Chen, Chin, & Zheng, 2017).

Since the managers' primary role is in the provision of better and quality accounting information with value, managers derive advantages from influence, power, as well as the authority exerted in their organizations in several aspects, from the decision-making, tactical direction to the alignment of the diverse stakeholders and shareholders. It is then for this purpose, that lies the great importance of looking into the various attributes a manager has that may impact the preparation of company reports and then influencing the communication of financial data (Bouaziz, Salhi, & Jarboui, 2020).

The previous studies of Dechow, Sloan and Sweeney (1995) and also Healy and Wahlen, (1999) have based and focused their research on the effect of accrual-based earnings management, which for some reasons is not conversant with managers due to their negative impact; it is now very important to understand how and why company's practice earnings management with the real earnings management technique (Susanto, 2017).

Prior study that have investigated the relationship between attributes of managers on the practice of real activities management have expansively recognized and have limited their study to certain managerial attributes like gender, age, reputation and tenure of managers and its association with earnings management (Barua, Davidson, Rama, & Thiruvadi, 2010; Chou & Chan, 2018). Therefore, this study would be using managerial characteristics such as managerial tenure, managerial financial expertise, managers' overconfidence and managerial board membership.

Against this background, this research study bridge that gap and contribute to financial reporting reliability and quality by providing statistically tested evidence to analyze the impact between managerial characteristics may have on real earnings management.

2. Literature Review

2.1 Conceptual Issues

Real Earnings Management

Financial reporting exhibiting a nonexistence of a true and fair view signifies that financial accounting information has been manipulated usually by way of

earnings management or fraud. Earnings management has been divided into two major categories by previous studies, which are accruals-bases earnings management and real earnings management (Gunny, 2010; Subramanyam, 2014; Susanto, 2017 and Gao & Gao, 2016).

Sun and Lan (2014) explained real earnings management as the process by which reported accounting information is altered through the manipulation of the company's operational activities hence having a direct effect on its cash flow, while defining accruals-based earnings management as distorting financial information using several accounting estimation techniques that do not have an impact directly on the cash-flow of a company. Accrual-based earnings management as a form of earnings management has garnered a lot of attention from researchers in the past, who have placed a lot of emphasis on its influence in their research studies (Dechow, et al., 1995; Healy & Wahlen, 1999). Recent earnings management research is now concentrating on real activities as it is not likely to be spotted by monitoring bodies (Chou & Chan, 2018).

Roychowdhury (2006) in his study stated that real activities management strategy is preferred to accruals-based to misstate profit, and the switch from one strategy to another is because distorting financial information through accruals activity is probable to attract the auditor's attention than when real earnings management is used. Although Zang (2012) in his study, is of the view that both earnings management strategies are used alternatively, depending on the cost of applying a particular strategy at a point in time.

Cohen, Pandit, Wasley and Zach, (2019) defined it as the actions and decisions taken by managers to attain financial reporting objectives by adjusting the real activities of a company such as over-producing inventory, promotion of sales, postponing or hastening discretionary expenditures is said to be real earnings management. Gunny (2010) defined real earnings management as adjusting reported earnings according to the objectives set by the manager by distorting the normal operating activities of the company.

Managerial characteristics and Real Earnings Management

Chou and Chan (2018) according to their study claim managers in a company are responsible for making corporate decisions in the organization. The studies of Betrand and Schoar (2003) and Francis, Huang, Rajgopal and Zang (2008) widely acknowledges that financial reporting activities of an organization as well as the organizational outcome, can be impacted directly by the traits and characteristics that makes up a manager. As a result, these qualities are predicted to influence the financial reporting quality of the organization.

Hambrick and Mason (1984) suggest that individual traits of managers that affect their personal values have a significant impact on strategic decisions. They go on to say that the specific features of managers can predict managers' conduct and contribution to the company's performance. According to Bamber, Jiang, and Wang (2010), in order to predict the effect of the managers impact on financial reports, managerial traits can be utilized since they act a substantial role in influencing the manager's behavior.

Management tenure, managerial financial expertise, managerial overconfidence, and managerial board membership are the variables to be investigated in this study.

Managerial Tenure and Real Earnings Management

Managers who have spent a longer time in office are more likely to utilize their position and influence to skew the company's financial outcomes. The research study of Zhang and Wiersema (2009) states that managerial tenure relates positively with managerial reputation and credibility and a manger who possesses a high reputation is not likely to attest to false financial statements. As a result, the study implies that managerial tenure can help external users check the validity of financial reporting. Financial reporting quality is positively associated to managerial tenure, according to Francis et al (2008), this is because the manager's credibility is developed and enhanced through time, hence making the manager to provide dependable and accurate financial reporting.

Hazarika, Karoff, and Nahata (2012) investigated the link between CEO tenure and earnings

management. Their study revealed a negative association between earnings management and CEO tenure. However, Ali and Zhang (2015) looked at the relationship between CEO tenure and earnings management from 1992 to 2010. According to the findings of the study, the practice of earnings management is substantially more prevalent in the early years of a manager's tenure than in later years. According to the findings of Zhang (2009), the correlation between CEO tenure and earnings quality was studied, results reports that a manager who has spent a long time in office is less likely to report earnings aggressively while a manager who has spent a relatively short time in office is more likely to report earnings aggressively to protect their reputation in the company.

In a study conducted in France by Bouaziz, et al., (2020) examined the relationship between CEO attributes and earnings management. The findings revealed a negative relationship between CEO tenure and earnings management.

In furtherance of the above literature, this study hypothesis that:

H_0: Managerial tenure has no relationship with the practice of real earnings management.

Managerial Financial Expertise and Real Earnings Management

Effective managers with higher competence, according to Wang, Holmes, Oh, and Zhu (2016) and Falato, et al., (2015), may be able to lower the possibilities of earnings management. When compared to managers who lack financial expertise, highly qualified managers are unlikely to manipulate reports **(**Bouaziz, et al., 2020). Jiang, Zhu, and Huang (2013) suggested that CEOs with financial expertise are less prone to earnings management. More conservative accounting methods and more exact earnings forecasts are seen in firms run by financial experts, according to Matsunaga and Yeung (2008). They ascribe these findings to the fact that information asymmetry can be reduced because managers with financial expertise understand the value of high-quality financial information.

According to the study of Schrand and Zechman (2012) a manager possessing financial expertise reduces the likelihood of fraud as opposed to an overconfident manager. Managers with a higher level of financial expertise deliver high-quality financial reports with accurate earnings information and are also able to ensure that other subordinates and executives do not misreport earnings information or engage in fraud (Jiang, Petroni & Wang, 2013).

The findings of the study of Gore, Matsunaga and Yeung, (2004) imply that earnings reveal more about the performance of the chief financial officer in financially complex circumstances if superiors have financial expertise. Managerial financial expertise minimizes the information asymmetry between the chief financial officers and their superiors hence increasing the perceived informativeness of earnings which then serves as a performance measure for the chief financial officer.

Matsunaga and Yeung (2008) find that managerial financial expertise has an impact on the firm's discretionary accruals. According to their findings, a CEO who has earlier worked as financial officers has higher income–decreasing discretionary accruals, owing to the CEO's high level of financial expertise. CEOs and managers with experience in accounting and finance, according to Bamber, et al., (2010), take a conservative approach to their work. They also discover that financial officers with expertise and knowledge in accounting or finance use a conservative disclosure approach.

Although Bhagat, Bolton, and Subramanian (2010) believe managers possessing business degrees are more inclined to alter accounting data in the near term to boost the firm's performance. While the study of Qawasmeh and Azzam, (2020) claim that managerial expertise has no impact whatsoever in reducing or increasing discretionary accruals.

In furtherance of the above literature, this study hypothesis that:

H_0: Managerial financial expertise has no relationship with the practice of real earnings management.

Managerial Overconfidence and Real Earnings Management

Presley and Abbott (2013) supposed that managerial overconfidence as a characteristic of a manager can be an important defining factor of real earnings

management. Their research also found that overconfidence influences financial report distortion positively.

According to Heaton (2005), managers who are overconfident in nature are likely to overvalue the company's prospective returns on investment. Managers with overconfidence have the possibilities to be selected as a leader because they make riskier project judgments (Goel & Thakor, 2008). Although overconfident managers, according to Gervais, Heaton, and Odean (2007), overestimate their own risk-reduction abilities, capital investment decisions are made in the best interests of investors.

Bouwman (2014) investigated the impact of managerial optimism on earnings management in his study. There was a substantial and positive association between earnings management and managerial overconfidence, according to the findings. Presley and Abbott (2013) investigated a link between managerial overconfidence and the regularity with which financial accounts are restated in the United States. There was also a substantial positive association between CEO overconfidence and financial statement restatement, according to the data.

In furtherance of the above literature, this study hypothesis that:

H_0: Managerial overconfidence has no relationship with the practice of real earnings management.

Managerial Board Membership and Real Earnings Management

Chen, Firth, Gao and Rui, (2006) state that when a CEO also serves as a board member, fraud is likely to be committed. A CEO who acts as a board chairman according to previous research, will cause the rise of earnings management in businesses (Dechow, et al., 1996). Isidro and Gonçalves (2011) also agree to the claim in their study that earnings management is more in firms where the CEO is a board member. Companies whose CEO simultaneously acts as chairman in another firm, according, are more probable to participate in earnings management (Davidson, Goodwin-Stewart, & Kent, 2005).

To this end, the combination of duties of CEO as well as chairman will result in ineffective supervision and monitoring if the chairman is to oversee the CEO's and management's work (Zouari, et al., 2012). The previous research of Dechow, et al., (1996) and Beasely (1996) shows a link between the presence of external directors on boards and the prevalence of financial fraud. Xie, Davidson and DaDalt (2003) claim discretionary accruals simply have no relationship with CEO board membership. The findings of the study of Bouaziz, et al., (2020) also validates that of Xie et al. (2003) and hence confirms that there exists no relationship between managerial board membership and discretionary accruals. Outcome of their study further states that managerial board membership does not influence financial information quality and performance.

In furtherance of the above literature, this study hypothesis that:

H_0: Managerial board membership has no relationship with the practice of real earnings management.

3. Methodology

The study employed a correlational research approach to examine the impact managerial traits has with the management of real earnings in Nigeria. The statistical relationship between dependent and independent variables will be investigated using a correlational study design. The study focused on quoted firms listed on the manufacturing sector of the Nigerian Stock Exchange Group. The Nigerian manufacturing sector will be of great interest to this study because of the value and importance attached to the way and manner of presenting and reporting their earnings and this is also the reason for the choice of this sector in this research study. This study focused on two industries under the manufacturing sector: consumer goods industry and industrial goods industry. The population of the study is 33 firms comprising of 20 consumer goods and 13 industrial products companies functioning in the Nigerian Stock Exchange's manufacturing sector. However, for this study, the final sample size will be 25 quoted companies. Simple random sampling technique is employed to get the numbers. The 25 companies were chosen based on the criterion that they must be active,

have been in operation for at least ten years, and have released complete financial statements.

3.1 Model Specifications

Dependent variables

Real earnings management: This study employed three variables as proxies for management of real earnings, like studies of Sani, Abdul Latif, and Al-Dhamari (2020) and Cohen et al (2008). The variables were chosen based on previous research (El Diri, 2018).

Abnormal cash flow of operation activities (Ab_CFO)

The decline in cash flows from operating activities is the first component. The regular level of cashflow based on the level of sales and sales changes using a regression model is first determined by the model.

$CF0t/A_{t-1} = \alpha_0 + \alpha_1 \text{ x } (1/A0_{t-1}) + \beta_1 \text{ x } (S0t/A_{t-1}) + \beta_2 \text{ x } (\Delta S0t/A_{t-1}) + \epsilon_t$ …… (1)

$CF0_t$ represents cashflow from operating activities in the year t for a particular firm, $A0_{t-1}$ represents the total lagged asset, $S0_t$ represents the entire sales for that year t, ΔS0t represents a previous year sales deducted from current year sales, ϵ_1 is representing the error term. The difference between normal operating cashflow and actual cashflow is thus used to compute abnormal operating cashflow.

Abnormal discretionary expense activities (Ab_DISEXP)

Decreasing discretionary spending to increase earnings and current cash flow is the second part of the Roychowdhury model of real earnings management, according to Roychowdhury (2006).

$DISEXP_t/AS_{t-1} = \alpha + \alpha_1 \text{ x } (1/A0_{t-1}) + \beta_1 \text{ x } (S0_{t-1}/A0_{t-1}) + \epsilon_t$ (2)

$DISEXP_t$ is total cost of, marketing, R&D, and sales, as well as administrative and other general expenditure. $A0_{t-1}$ represents lagged total asset, $S0_{t-I}$ represents lagged total sales, and ϵ_t is error term. The variance between the usual and actual discretionary expenses is used to compute abnormal discretionary expenses. The residual is then multiplied by -1 to get the final abnormal discretionary expense.

Abnormal production cost activities (Ab_PROD)

$PROD_t/A0_{t-1} = \alpha + \alpha_1 \text{ x } (1/A0_{t-1}) + \beta_1 \text{ x } (S0t/A0t\text{-}1) + \beta_2 \text{ x } (\Delta S0_t/A0_{t-1}) + \beta_3 \text{ x } (\Delta S0_{t-1}/A0_{t-1}) + \epsilon_t$……. (3)

$PROD_t$ denotes a company's cost of production for the year t, $\Delta S0_{t-1}$ represents lagged changes in the sales, ϵ_t is representing the error term.

Real Earnings Management Matric: The three equations are merged to generate a single variable, as described by Sani, et al., (2020) and Braam, Nandy, Weitzel, and Lodh, (2015). (REM). As a result, the following formula is used to compute real earnings management.

Real earnings management = Ab_CFO + Ab_DISEXP + Ab_PROD

The model below will be developed to assess the influence managerial characteristics has on the management of real earnings. The independent variable is categorized into a single category showing its specific attributes when the study's model is specified.

Managerial characteristics is said a function of real earnings management.

$$REM = f \ldots\ldots\ldots\ldots\ldots\ldots\ldots Eq.(4)$$

$REM_{it} = \beta_{0it} + \beta_1 MTEN_{it} + \beta_2 MAB_{it} + \beta_3 MFEXP_{it} + \beta_4 MOVERC_{it} + \beta_5 MBMEM_{it} + \mu_{it} \ldots Eq.(5)$

Where, REM_{it} = Real earnings management; $MTEN_{it}$ =Managerial Tenure, MAB_{it} = Managerial Ability; $MFEXP_{it}$ = Managerial Financial Expertise, $MOVERC_{it}$ = Managerial Overconfidence; $MBMEM_{it}$ = Managerial Board Membership; β_0 = Regression line intercept; β_1, β_2, β_3, β_4, β_5 = The regression line's coefficient or slope, or independent variables; μ = Other factors (independent) that the model is affected by but are not captured been represented by error term; *t* = year and *i* = *firm*

3.2 Variables and Measurement

Table 1: Operationalisation of Variables

S/N	Variables	Symbols	Measurement	Used by
1	Real earnings management	**REM**	Real earnings management is measured by using 3 variables as proxies for real earnings management.	Sani et al., (2020), El Diri, (2018),
2	Managerial Tenure	**MTEN**	Managerial tenure will be measured by number of years the CEO has served in the role will be used to determine managerial tenure.	Francis et al (2008).
3	Managerial Financial Expertise	**MFEXP**	Managerial financial expertise will be assessed using a dummy variable that will take 1 if CEO has an accounting qualification and 0 if not	Zouari, et al., (2012).
4	Managerial Overconfidence	**MOVERC**	Managerial overconfidence will be measured using the leverage index. It will measure the percentage of long debts to total assets.	Malmendier, Tate and Yan, (2007),
6	Managerial Board Membership	**MBMEM**	The CEO's managerial board membership will be measured as dummy variable that takes 1 if the CEO is a member of another organization's board of directors and 0 if not.	Bouaziz, et al., (2020).

Source: Researcher Design (2023)

3.3 Method of Data Analysis

The hypotheses will be tested and the relationship between the variables will be measured by making use of panel regression analysis methods. The multiple regression analysis was accompanied by some fundamental statistical analysis, such as descriptive statistics, correlation analysis, and regression variable normality testing. The E-view Econometric Package, version 10.0, will be used to estimate the corresponding models and coefficients using panel data from 2014 to 2021.

4. Result and Discussion

Table 2: Descriptive Statistics

	REM	MTEN	MFEXP	MOVERC	MBMEM
Mean	0.00313	2.798658	0.268456	12.76245	0.295302
Median	0.012175	2	0	10.43167	0
Maximum	0.551349	8	1	68.59073	1
Minimum	-1.07735	1	0	0.01221	0
Std. Dev.	0.166011	1.8453	0.444651	10.94733	0.457717
Skewness	-1.86013	0.983589	1.044975	1.76183	0.897447
Kurtosis	15.60504	3.164132	2.091972	7.657799	1.805411
Jarque-Bera	1072.348	24.19221	32.23617	211.7741	28.8606
Probability	0	0.000006	0	0	0.000001
Sum	0.466358	417	40	1901.604	44
Sum Sq. Dev.	4.078849	503.9597	29.26174	17736.9	31.00671
Observations	149	149	149	149	149

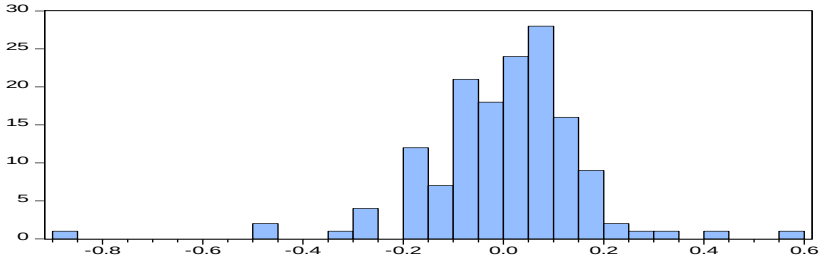
Source: Researcher Computation (2023)

The descriptive statistics of managerial characteristics and real earnings management of manufacturing enterprises in Nigeria is shown in table 2 above. The dependent variable, real earnings management (REM) shows maximum value of 0.551349, minimum value of -1.07735 and mean of 0.00313. It is suggested on an average the firms being sampled are not engaged in the management of real earnings, 0.313% of sampled enterprises use real earnings management.

Looking at the independent variables, managerial tenure (MTEN) reports a mean value of 2.798658, which means the average number of years spent in office for the sample period, maximum value of 8 then minimum of 1. Managerial financial expertise (MFEXP) reports mean value of 0.268456, that is average no. of CEOs with financial expertise, as it is a dummy variable represented by 1 if the CEOs have an accounting qualification and 0 if not.

Managerial overconfidence reports maximum value of 68.59073%, minimum of 0.01221%, and a mean of 12.76245%, which is the average percentage of CEOs with overconfidence, this means that a low level of CEOs are not overconfident as measured by the leverage index. Managerial board membership has maximum value of 1, minimum value of 0, and mean value of 0.295302, which represents average no. of CEOs who are also members of a board in another organization it is measured by is a dummy variable represented by 1 if top manager is a board member of another firm and 0 if otherwise.

4.1 Test for Normality (Histogram)



Series: Standardized Residuals
Sample 2012 2019
Observations 149

Mean	0.001948
Median	0.026413
Maximum	0.581899
Minimum	-0.877339
Std. Dev.	0.158454
Skewness	-1.140868
Kurtosis	10.06039
Jarque-Bera	341.8024
Probability	0.000000

Figure 1: **Result of the Histogram Normality Test**
Source: Researcher Computation (2023)

The histogram above shows the mean statistics, the normality and other variables. It shows the distribution of frequency of the series in the histogram. Normality is proved when the values are reasonably normally distributed, that is, when most of the values are stirring in the center, pointed out to the extremes. This further establishes that the observations for this panel data are normally distributed. Figure 1 depicts the regression variables' histogram, which further emphasizes the data's normality and, as a result, reinforces the descriptive statistics conclusion. Jarque- Bera (JB) statistics is 341.8024 with a probability of 0.000000. Because the mean kurtosis of 10.06039 is more than three, the distribution is said to be leptokurtic. With a negative mean skewness of -1.140868, the histogram is also skewed to the left.

4.2 Regression Analysis

The regression analysis results for manufacturing firms are provided below. The model represents the effect of the characteristics of the manager on the management of real earnings. The Panel Least Square regression approach was employed to do the multiple regression analysis.

Table 3: Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.181482	4	0.8811

The probability value (0.8811) of the correlated random-effect Hausman test is greater than 5% in the table above (0.05). As a result, we will use the random effect model to discuss the findings.

Table 4: Regression Analysis (Random Effect)

Dependent Variable: REM				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
MTEN	-0.007435	0.007613	-0.976523	0.3304
MOVERC	-0.002519	0.001346	-1.871376	0.0633
MFEXP	-0.076644	0.034451	-2.224702	0.0277
MBMEM	-0.090490	0.032435	-2.789842	0.0060
C	0.101430	0.038533	2.632320	0.0094
	Effects Specification			
			S.D.	Rho
Cross-section random			0.053881	0.1095
Idiosyncratic random			0.153656	0.8905
	Weighted Statistics			
R-squared	0.098330	Mean dependent var		0.000911
Adjusted R-squared	0.073284	S.D. dependent var		0.159750
S.E. of regression	0.153786	Sum squared resid		3.405636
F-statistic	3.925931	Durbin-Watson stat		2.134909
Prob(F-statistic)	0.004686			
	Unweighted Statistics			
R-squared	0.088834	Mean dependent var		0.003130
Sum squared resid	3.716507	Durbin-Watson stat		1.956332

Source: Researcher Computation (2023)

Using the panel square regression method, Table 4 reveals the relationship between the independent factors and real earnings management. The R-squared value of 0.088834 indicates that the independent variables of managerial tenure, financial expertise, overconfidence, and board participation account for around 8.8% of systematic cross-sectional fluctuations in real earnings management, leaving 91.2 percent unaccounted for. The model is fit enough to describe the association between managerial attributes and actual earnings management, as indicated by the strong F-statistic value of 3.925931 and the associated probability value of 0.004686.

The result shows that managerial tenure (MTEN) has an insignificant negative relationship with real earnings management based on the individual significance levels of the variables as shown by t-statistics and the direction (via coefficient values) of their relationships with the dependent variable (REM). This is since the t-statistics value of -0.976523 and probability value of 0.3304 are both less than the essential t-value of 1.96 and larger than the 5% level of significance. However managerial financial expertise (MFEXP) showed a negative significant relationship with real earnings management (REM) having a t-value of -2.224702 at a p-value (0.0277<0.05). Implying that a rise in managerial financial expertise will cause a significant fall of real earnings management. Managerial overconfidence (MOVERC) revealed an insignificant negative relationship with REM with a t-value of -1.871376 at a p-va0lue (0.0633>0.05). This means a fall or rise in managerial overconfidence will have no influence on real earn0ings management.

Then, with a t-value of -2.789842 and a p-value of (0.00600.05), managerial board membership (MBMEM) demonstrated a significant negative relati0onship with real earnings management (REM). This means that an increase in managerial board membership will result in a reduction in real earnings management.

4.3 Discussion of Findings

Based on the empirical analysis of the study, we can now compare the findings of this study to the findings of previous studies on managerial characteristics and real earnings management. This would enable us to appreciate the study's findings. We begin by pursuing the study's objectives in a systematic order.

The first objective of this research was to see how managerial tenure influences real earnings management in Nigeria's manufacturing industry. The panel regression result revealed that the P>|t| (Prob) value for MTEN is 0.3304, which is greater than the 5% level of significance. This implies that in the Nigerian manufacturing sector, the association between managerial tenure and real earnings management is insignificant. Furthermore, because the coefficient – 0.007435 has a negative slope, there exists a negative insig0nificant relationship between managerial tenure and real earnings management. The t-statistics were found to be -0.976523, indicating that the alternative hypothesis should be rejected, and the null hypothesis should be accepted. According to the research findings, whether a manager's term in office is longer or shorter has no effect on real earnings management. The discovery is in line with Hazarika, et al., (2012), concluded that the association between managerial tenure and real earnings management is not significant.

The second objective of this research project was to investigate the relationship between managerial financial expertise and real earnings management. The P<|t| (Prob) value was discovered to be 0.0277, which is less than the 5% level of significance. The t-statistics were found to be -2.224702, while the slope of the co-efficient was found to be negative -0.076644. This demonstrates that the relationship between managerial financial expertise and real earnings management of the selected enterprises is negative and significant, indicating that the null hypothesis be accepted, and the alternative be rejected. Results shows that a rise or push in financial expertise will cause the decrease in the practices of real earn0ings management. This finding is consistent with Jiang, Zhu and Huang, (2013).

Objective three of the study was to investigate the relationship between managerial overconfidence and real earnings management. The P>|t| (Prob) value for the selected firms was 0.0633, indicating an insi0gnificant relationship between managerial overconfidence and real earnings management. Furthermore, the slope of the co-efficient was found to be a negative value of -0.002519, and the t-statistics were -1.871376, indicating that the null hypothesis be accepted, and the alternative hypothesis rejected. This means that an increase or decrease in managerial overconfidence will not cause an increase or decrease in real earnings management. The result is not consistent with the study o0f Hsieh, Bedard, and Johnstone (2014).

The final objective of the study was to determine the extent to which managers on the board of more than one organization simultaneously, affects REM. The P<|t| (Prob) value was 0.006, and the slope of the co-efficient is a negative value of -0.090490, indicating that mana0gerial overconfidence is insignificantly and negatively related with real earnings management. The alternative hypothesis was rejected, and the null hypothesis accepted, as indicated by the t-statistics of -2.789842. In conclusion, the researcher accepts the null hypothesis stating managerial board membership has insignificant relationship with real earnings management of the selected firms. The result is inconsistent with Zouari, et al., (2012)

5. Conclusion and Recommendations

The research empirically explored the association between the characteristics of managers and real earnings management of quoted manufacturing enterprises in Nigeria, using a sample timeframe of 2014-2021. The correlation findings display a weak and negative relationship with managerial characteristics and real earnings management of publicly traded manufacturing companies. The result of the descriptive statistics showed that managerial tenure reports a mean value of 2.798658, Managerial financial expertise reports a mean of 0.268456, Managerial overconfidence reports a mean value of 12.76245%, while Managerial board membership has a mean of 0.295302. The regression results display that managerial tenure (MTEN) has an insignificant negative relationship with real earnings management (REM). Managerial financial

expertise (MFEXP) showed a significant negative relationship with real earnings management (REM). This shows that a rise in managerial financial expertise will cause significant fall in real earnings management. Managerial overconfidence (MOVERC) revealed an insignificant negative relationship with REM. This means an increase or decrease in managerial overconfidence will have no influence on real earnings management. Managerial board membership (MBMEM) then showed a significant negative relationship with real activities management (REM). It signifies that a rise in managerial board membership will cause a fall in real earnings management at a significant level.

According to the results of this research, the following recommendations are proposed:

i. The study revealed that managerial financial expertise has a negative and significant association with real earnings management, meaning for an organization to cut the practice of real activities management, the recommendation is that managers with a high level of financial expertise be appointed to prevent real earnings management.

ii. The study also revealed that managerial overconfidence has an insignificant relationship with real earnings management; hence a manager exhibiting a "better-than-average" attitude does not necessarily prove that such individual would be involved in real earnings management. It is then recommended using the findings of this research that organizations pay closer look to overconfident managers as they possess the tendency to overestimate their ability to generate returns.

iii. The study revealed managerial board membership has a significant relationship with real earnings management. It is hence recommended that since an interlocking manager is not liable to use real earnings management, managers should not be discouraged from serving on the board of other organizations as it improves their level of expertise as they learn how things are done in other organizations.

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