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UVODNIK

Sveska 3 Volumen 20 Godište 2018 sadrži četiri izvorna naučna i jedan pregledni članak, prikaz međunarodne naučne konferencije, Predmetni indeks članaka i Pregled autora i naslova svih priloga publikovanih u *Ekonomskim horizontima*, u 2018. Istovremeno, ukazujemo na to da je, u Sveskama 1, 2 i 3 Volumen 20 Godište 2018, publikovano šest naučnih članaka autora iz inostranstva (Nigerija, Kina, Turska, Hrvatska), što je 35,3% od ukupnog broja naučnih članaka objavljenih u Časopisu u 2018.

Pored nesporne činjenice da korporativne inovacije i primena tehnologija doprinose unapređenju poslovanja, *Alphonse Kumaza* istražuje poslovne inovacije u kontekstu društvene odgovornosti i odgovornosti kompanija za ugroženost životne sredine. Rezultati istraživanja pokazuju da poslovno inovativne tehnologije kompanija nisu orijentisane, u dovoljnoj meri, ka promovisanju društvene i ekološke odgovornosti, već da se isključivo opredeljenje njihovih poslovnih politika svodi na promociju, širenje, rast i profitabilnost. Kao jedan od razloga takvog ponašanja kompanija i njihovih slabih ekoloških performansi, autor vidi u tome što menadžment nema potrebno razumevanje za posledice poslovanja, koje se manifestuju u obliku eksternalija, zbog čega kompanije, uprkos kontinuiranom rastu svojih profita, nisu zaintreresovane za rešavanje istih. Odsustvo ekološke odgovornosti kompanija manifestuje se u zanemarivanju razmatranja pitanja društvene i ekološke održivosti, što ima implikacije za zagađenje i degradaciju životne sredine.

Polazeći od stava da se organizacije u mnogim zemljama, usled lošeg korporativnog upravljanja, suočavaju sa ozbiljnim krizama, *Olubunmi Florence Osemene, Joshua Solomon Adeyele* i *Pauline Adinnu* razmatraju na koji način vlasnička struktura i karakteristike odbora direktora depozitnih banaka u Nigeriji, koje se kotiraju na berzi, utiču na upravljanje zaradama. Analizom upravljanja zaradama u petogodišnjem periodu, 2011-2016, utvrđeno je da privatno, inostrano i akcionarsko učešće države kao i mandat direktora, imaju negativan uticaj na upravljanje zaradama, dok broj članova Odbora direktora, rodna struktura i veličina banke ne utiču značajno. Na osnovu navedenih saznanja, koautori zaključuju da vlasnička struktura bitno utiče na upravljanje zaradama, dok karakteristike Odbora direktora, izuzimajući mandate direktora, ne utiču značajno na politiku zarada. Shodno navedenim zaključcima, u radu se sugeriše da se održi prag 10-procentnog akcionarskog učešća države, a regulatornim i nadzornim agencijama se predlaže da, u cilju zaštite interesa akcionara, posvete adekvatnu pažnju i prate aktivnosti izvršnih direktora banaka.

Na osnovu sagledavanja pozicije Međunarodnog standarda finansijskog izveštavanja (MSFI) za male i srednje entitete, *Vladimir Obradović* testira hipotezu da je za entitete koji nemaju javnu odgovornost, a sastavljaju finansijske izveštaje opšte namene, prihvatljivija opcija primene Međunarodnog finansijskog standarda za male i srednje entitete, nego opcija primene punih MSFI. Prihvatljivost navedene opcije opredeljuje činjenica da ona olakšava finansijsko izveštavanje mnogim preduzećima koja su u ranijem periodu bila u obavezi da primenjuju pune MSFI. Međutim, na osnovu empirijskog istraživanja, koje je sprovedeno na uzorku od 175 preduzeća u Republici Srbiji, utvrđeno je da se menadžment preduzeća češće opredeljuje za primenu punih

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MSFI, a ne za njihovu jednostavniju verziju, što se objašnjava višegodišnjim iskustvom njihove primene. Da bi se računovođe opredelile za Međunarodni standard finansijskog izveštavanje za male i srednje entitete, kao pogodniju opciju, neophodna je i njihova edukacija, u čemu bitnu ulogu imaju profesionalne računovodstvene organizacije.

Shodno značaju robnog tržišta, kao najvećeg „nefinansijskog" tržišta, *Şakir Sakarya, Feyyaz Zeren* i *Hilmi Tunahan Akkuş* sagledavaju implikacije cena roba za islamske berzanske indekse, imajući u vidu da se radi o finansijskom sistemu koji je zasnovan na načelu deljenja dobiti i gubitka, kao i da on podržava aktivnosti u realnom sektoru. U radu se istražuje kointegracija i uzročno-posledična veza robnih tržišta (zlata i brent nafte) i indeksa učešća-30 u Turskoj, u skladu sa islamskim kriterijumima. Relacije islamskih berzanskih indeksa i robnih tržišta su relevantne kako bi se utvrdilo da li investitori, koji se kotiraju na islamskoj berzi u Turskoj, a u cilju diversifikacije portfolija, da se opredeljuju da ulažu u zlato ili u naftu. Dokazivanjem postojanja kointegracije između Indeksa učešća-30 i robnih tržišta, ističe se da će investitor, ulaganjem u zlato ili naftu, obogatiti i proširiti svoj portfolio i, istovremeno, minimizirati rizik.

Polazeći od rezultata iz prakse, koji pokazuju da se primenom *software*-a, usled različitih grešaka do kojih dolazi tokom njihovog rada, mogu uzrokovati ozbiljne negativne posledice, *Marin Peko, Nikola Komatina, Nikola Banduka* i *Marina Crnjac* razvijaju integrisani model, zasnovan na *Failure Mode and Effects Analysis* (FMEA) i višekriterijumskoj optimizaciji, čijom primenom se greška može na egzaktan način oceniti i rangirati. Predloženi model, koji je testiran na empirijskim podacima iz prakse, pruža mogućnost detekcije, kao i utvrđivanja učestalosti pojavljivanja grešaka, na bazi čega se definiše prioritet aktivnosti, koje je potrebno preduzeti kako bi se otklonile identifikovane greške. Primenom navedenog modela, greške na finalnom proizvodu bi se eliminisale, ili bi se smanjila mogućnost njihovog pojavljivanja, što je u interesu kako proizvođača, tako i krajnjeg kupca.

Ova Sveska Časopisa sadrži prikaz, *Jelene Nikolić*, V-te međunarodne naučne konferencije: *Contemporary Issues in Economics, Business and Management* (EBM *2018)*, koja je, u organizaciji Ekonomskog fakulteta Univerziteta u Kragujevcu, održana 9 i 10. novembra 2018, na Ekonomskom fakultetu Univerziteta u Kragujevcu.

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Sveska 3 Godište 2018 sadrži sveobuhvatan Predmetni indeks naučnih članaka publikovanih u Časopisu, u 2018, kao i Pregled autora i naslova svih priloga objavljenih u *Ekonomskim horizontima*, u 2018.

Glavni i odgovorni urednik
Vlastimir Leković

Vlastimir Leković je redovni profesor na Ekonomskom fakultetu Univerziteta u Kragujevcu. Doktorirao je na Ekonomskom fakultetu Univerziteta u Kragujevcu, iz naučne oblasti opšta ekonomija i privredni razvoj. Izvodi nastavu iz nastavnih disciplina Komparativni ekonomski sistemi, Ekonomija javnog sektora, Institucionalna ekonomija, Politike tržišne regulative i Metodologije naučnog istraživanja, na osnovnim, master i doktorskim akademskim studijama. Ključne oblasti njegovog naučnoistraživačkog interesovanja su ekonomski sistem, ekonomska politika i institucionalna ekonomija.

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THE IMPACT OF THE OWNERSHIP STRUCTURE AND BOARD CHARACTERISTICS ON EARNINGS MANAGEMENT IN NIGERIA'S LISTED DEPOSIT MONEY BANKS

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In many countries, there are a certain number of organizations going through severe crises due to a failure in corporate governance. In this study, the main aim is to determine how the ownership structure and the characteristics of the boards of Nigeria's listed deposit money banks (DMBs) affect aggressive earnings management for a period of 5 years (2011-2016). The panel least-square method was used to analyze the data collected. The findings revealed that private, foreign and government shareholdings have a negative and significant impact on aggressive earnings management. Also, directors' tenures status has a significant effect on aggressive earning management, while the board size, the gender and the size of the firm have no such significant effect in the period observed. Based on these findings, the study concludes that the ownership structure has a significant impact on aggressive earnings management, whereas the characteristics of the board, excluding directors' tenures status, do not have any significant effect. Hence, the study recommends that the 10% threshold imposed by the CBN on the government shareholding should be maintained, while regulatory and supervisory agencies are advised to pay adequate attention and conduct the monitoring of the activities performed by the CEOs of the banks, especially upon expiry of the directors' tenure, so as to protect shareholders.

Keywords: corporate governance, ownership structure, earnings management, board characteristics

JEL Classification: G28, G32, G38

INTRODUCTION

The annual report is a medium through which an organization's financial and non-financial objectives are disseminated to the public. Its content is specified in the underlying principles and standards guiding the accounting profession. An important content of the financial report is the earnings reported at the end of each operating period. Earnings, also known as the net income or the bottom line, are the amount remaining after operating expenses,

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taxes, dividends on preference stock and interest charges have been deducted. Consequently, based on the importance of earnings to every organization, their management becomes imperative. To manage earnings may be reasonable or legal for managerial decision-making and, at the same time, it could also be fraudulent, unethical and illegal. While reasonable and legal earnings management reporting intends to achieve sustainable and foreseeable financial results, fraudulent and illegal earnings management is geared towards reporting the results that do not reflect economic activities (Mckee, 2005; Osemene, Muritala & Olawale, 2014; Crumbley, Heitger & Smith, 2015). Aggressive earnings management can be either beneficial or harmful, depending on how it is conducted. Beneficial earnings management is that conducted within the ambit of the accounting standard, whereas the harmful is unethical and is beyond the context of the accounting standard.

It is imperative that ownership should be separated from control in an organization for checks and balances, so that the managers who do not own a small portion of stock in the firm are checked as there is a possibility for them to deviate from the objectives of the firm due to their selfish interest. The ownership structure differs from one organization to another as a result of differences in either the economy of scale, regulation or the environment stability, among other things. As reported by S. R. Kole (1995), the ownership structure of different sizes will differently impact earnings management. In Nigeria, the ownership structure can be in the private (family), managerial (insider or outsider), institutional, block, government and foreign forms. This study considers private, foreign and government shareholding as stated in the Nigerian Deposit Insurance Corporation (NDIC) reports leaving out institutional ownership and the other forms of the ownership structure because of the accessibility and authenticity of the data. Apart from the ownership structure, the characteristics of the board are suspected to have an influence on earnings. The characteristics of the board broadly grouped into the following categories: the board demography (the gender, the ethnicity, the years of age) and the board structure (the size, committees, independence, meetings, and the tenure) have their bearing in one way or another on the earnings reported by the corporation (Fitriya & Stuart, 2012; Osemene, Abogun, Olaoti & Ahmed, 2017).

Over the years, a certain number of organizations throughout the world have collapsed or have otherwise experienced severe crises due to a failure in corporate governance. This could be so as a result of manipulations in the financial statements and a financial statement fraud. Some cases in point are the Enron scandal - USA, WorldCom - USA, Toshiba - Japan, Tesco - UK, Cadbury - Nigeria, and Afribank - Nigeria (Dibia & Onwuchekwa, 2014; Alzoubi, 2016; Saidu, Ibrahim & Muktar, 2017). The reasons for the manipulations cut across personal interests, tax evasion, stock prices, etc. Earnings are the one area where this manipulation is obvious.

As opined in the study by M. S. Yorke, M. Amidu and C. A. Boateng (2016), managers, who are also utility maximizers, will act in such ways so as to maximize their selfish interests. Their personal satisfaction will be their ultimate goal to the detriment of the shareholders. What characterizes the management board also influences how earnings are managed; how the board tenure, the gender diversity and the board size affect earnings is of a specific interest here. The Board of Directors performs the functions ranging from monitoring, recruitment, the disengagement of staff and the management, as well as the provision of resources, direction and the promulgation of strategic decisions (Fitriya & Stuart, 2012). Where the board characteristics are lopsided, the aforementioned functions will be shortchanged, especially the board's monitoring role.

The Nigerian deposit money banks (DMBs) have been characterized by restructuring. Since 2005, THE Central Bank of Nigeria has forced commercial banks to undergo a series of mergers, acquisitions and restructurings (in 2011, the Sterling bank acquired the Equatorial Trust bank, whereas the First City Monument bank acquired the First Inland bank in 2012; the Mainstreet bank was issued a license to operate in 2011, whereas by 2014, it was 100 per cent acquired by the Skye bank), thus reducing the total number of the banks to twenty four (NDIC, 2016).

asymmetries existing between the principal and the agent, the principal may need to put up mechanisms in order to regain or reinforce trust and confidence. This gives rise to agency costs, which includes monitoring and compensation costs.

The Ownership Structure and Aggressive Earnings Management - The ownership structure is a proportion of the shares held by different parties in the equity (ordinary shares) of the company. These parties are known as the owners of the corporation, ranging from promoters, individual and institutional investors, private and public corporations and foreign owners. The ownership structure of DMBs in Nigeria is predominantly categorized into the three categories, namely: government, private (Nigerian) and foreign. These structures have been varying over the years due to certain restructuring in the banking sector (NDIC, 2016).

Aggressive earnings management is the term used to describe managers' intentional act to manipulate the reported net income by relying on specific accounting methods in order to make changes that favored their respective interests (Smith, Lapin & Naj, 1994; Jensen, 2004). This action thus affects companies' credibility, reputation and stock performance of. Aggressive earnings management also arises as a result of the use of the discretionary measures available under the generally accepted accounting principles (GAAP) that permit managers to generate or make the required accounting figures available for investors and stakeholders, while simultaneously hiding the actual facts (Yorke *et al*, 2016).

In Nigeria, the Companies and Allied Matters Act - CAMA (2004) specifies the membership of a company, its right and duties. Each category of owners has different economic motives, different consequent power as regards participation in strategic decision-making, thus affecting the performance of the organization. With divergent interests arising between managers (agents) and owners (principals), agency theory tries to solve the problem as it adversely affects the performance of a corporation through supervision, monitoring and controlling the owners' group, usually the board of directors.

The Characteristics of the Board and Aggressive Earnings Management - The board of directors has certain features that distinguish it from the owners and the management officers of the organization. These features are categorized into the board demography (the gender, the ethnicity, the years of age) and the board structure (the size, committees, independence, meetings, the tenure) (Fitriya & Stuart, 2012). The demography of the board explains the physiological and sociological attributes of the directors (both executive and non-executive), whereas the structure explains the composition, terms and operations of the board. The board tenure could have an impact on a corporation's earning. CEOs with a short-term or minor tenure report earnings more aggressively than those with a long-term tenure, except for the penultimate year prior to their leaving (Hu, Hao, Liu & Yao, 2015). In order to inject fresh ideas, the code of corporate governance for banks in Nigeria stipulates that directors may serve continuously for the maximum of three terms amounting to twelve years on the board (CBN, 2006)

The board is the major vehicle when conducting corporate governance in any organization is concerned. In the banking industry, the board constitutes the highest policy-making body, and what transpires at that level has a significant impact on their operations and activities. The board must ensure the credibility of the financial report they present to the public through ensuring that the procedures for maintaining the integrity of the financial statements and ensuring compliance with the stipulated laws and ethics (NDIC, 2016). Anything short of this could result in inadequate earnings management, especially where there is inadequate monitoring and supervision.

A Discretionary Loan Loss Provision and Aggressive Earnings Management - One of the components of banks' earnings subject to manipulation is the discretionary loan loss provision (Beatty, Bin & Petroni, 2002). As stated in the CBN's Prudential Guideline (2010), loan loss provisions are the expense items listed on the income statement reflecting the management's current period assessment of the level of future loan losses. The provisions are general

and specific in nature. General provisions are made because even a performing loan harbors a certain inherent risk of becoming bad, whereas specific provisions must be put in place based on the perceived risk of default or failure to pay as and when due. The timing for increasing and the amount of an increase in loan loss provisions are at the discretion of managers because they are expected to have all and firsthand information about their customers (debtors). Even more so, interest income or expense, service revenues or operating costs are non-discretionary, and as such cannot be easily twisted. On this note, managers use such timing to manage their earnings. This special feature has no doubt made it a natural choice of bank managers' discretion regarding earnings since investors and bank regulators would hardly be able to pin down the managers on the decisions made on such loan loss provisions.

Several studies have been carried out on earnings management practice and activities in corporations, the ownership structure and the characteristics of the board. For instance, O. R. Uwuigbe and A. S. Fakile (2012) studied the effects of the board size on the financial performance of the listed banks in Nigeria. The board size and returns on equity were used as the explanatory and the explained variables, respectively. They noted that the banks with the board size of fewer than 13 members appeared to be more viable than those exceeding the number of 13 members. Furthermore, the banks having the boards consisting of a large number of members recorded lower profits when compared with those with a smaller number of members. Thus, the board size of between 6 and 8 members was recommended for the better financial performance of banks in Nigeria, as they opined it would reduce the problem of free-rider directors and enhance effective monitoring and decision-making. In their study, however, S. M. Chtourou, J. Bedard and L. Courteau (2001) used two sets of US firms. The one set had the relatively high and the other had the relatively low levels of discretionary accruals in 1996. They were of the view that earnings management was significantly associated with certain corporate governance practices (the audit committee and the board of directors). They pointed out the fact that less income increasing income smoothening occurs in the organizations whose outside board members had an experience as the board members with the firm and with other firms, whereas the larger board size seemed to be reducing earnings management.

In their study of corporate governance, the characteristics of the board and the performance of a firm, D. Pradeep, G. Pemarathne and H. Siriyama (2014) (Sri Lanka) used Tobin's Q as the proxy for measuring the performance of the firm. It was revealed that the CEO duality, the board composition, interlocking directorates and the gender diversity had a negative influence on the performance of the firm, but adjudged that a small board size and independence influenced the performance of the firm. The study, therefore, concludes that the separation of the management from ownership might not encourage a better performance of the firm, as agency theory suggests, but their unification might enhance the performance of the board. This agreed with the prior study carried out by A. S. Omoye and P. O. Eriki (2014), but was contrary to J. U. Madugba and A. K. Ogbonnaya's (2017) study of corporate governance and earnings management in Nigerian deposit money banks, which revealed that corporate governance mechanisms positively influenced the financial performance of the banks.

E. S. Alzoubi (2016) conducted a study in Jordan which spanned a period of eight years, namely from 2006 to 2013, on the samples of listed companies. Jordan is characterized by a high concentration of the ownership on the family-investor basis. The findings revealed that a greater family ownership presented a lower level of discretionary accruals. The study concluded that the proportion of insider managerial ownership, institutional ownership, external block holders, family and foreign ownerships could reduce earnings management. His results agreed with the prior studies by V. Ratnawati, M. A. Hamid and O. M. J. Popoola (2016), and N. Teshima and A. Shuto (2008).

O. R. Uwuigbe, T. O. Fagbemi and U. F. Anusuem (2012) carried out a study of the effects of the audit committee and the ownership structure on income smoothening in Nigeria. They used ordinary least square regression and revealed that the banks with

a higher proportion of non-executive directors on the committee tended to have a positive influence on their banks. They also posited that as the directors' percentage of ownership increased, the ownership structure of the firm changed from the one being manager-controlled to the other being manager-owner controlled. Therefore, as managerial ownership increases, there is a corresponding increase in the managers' discretionary ability to modify the revenue generating process through the use of an accounting choice.

The findings of the study by H. Saidu, O. Ibrahim and J. O. Muktar (2017) of the five sampled banks in Nigeria in the period 2011-2015 revealed that earnings management was in place in the DMBs in the country. The study measured a loan loss provision as the proxy for earnings management, the size of the firm and the years of age of the firm on return on assets (ROA), which was the proxy for the performance measurement. It was established that there was a negative association between earnings management and ROA, which suggests that banks decrease ROA in order to smooth earnings.

A study of the effect of creative accounting on the Nigerian banking industry, carried out by N. B. Ijeoma (2014), focusing on the reasons for creative accounting in the industry, found that creative accounting had a major effect on banks' distress in Nigeria. Furthermore, the author added that the major reason for earnings management practice is to inflate the cost in order to reduce the tax exposure and maintain or boost the share price.

In India, a study conducted by J. K. P. Kumari (2017) presented an analysis supportive of the substantial income-increasing earnings management practices in commercial banks. The study reiterated that the corporate governance practices (such as the characteristics of the board, audit practices and a performance-based remuneration) basically worked as the restricting variables for the earnings management practices. Their findings were in tandem with those of A. L. Beatty *et al* (2002), and O. Ugbede, M. Lizam and A. Kaseri (2013).

The findings of the study of the 500 large companies in India using data for 2003 and 2004 carried out by J. Sarkar, S. Sarkar and K. Sen (2008) suggested that responsible boards were associated with a low level of earnings management, whereas the directors of the boards with several designations demonstrated a high level of earnings management. With respect to inside directors, their results indicated that the chief executive officer (CEO) duality and the presence of controlling shareholders on the board increased earnings management. The study also found that the domestic institutional owners act was the compensating control mechanism for checking the damaging effects of controlling shareholders on earnings management.

M. A. Ratab, A. A. Zakaria and A. Thankom (2017) studied the effect of CEOs' characteristics on earnings management in Jordan by applying the random effect model to the 201 companies listed on the Asian Stock Exchange (ASE). The study established the fact that there was no relationship between the gender and the earnings management practices; the years of age and the earnings management practices, although overconfidence was positively significant with earnings management as the managers' physiological and sociological characteristics might affect their decision-making. This view is supported in the studies by C. M. Schrand and S. L. Zechman (2012), and G. V. Krishnan and L. M. Parsons (2008).

The relationship between creative accounting and a managerial decision in the seven selected financial institutions in Nigeria in the time period from 2006 to 2011, as studied by O. F. Osemene, T. A. Muritala and A. A. Olawale (2014), revealed that the two dependent variables tested (Return on Equity - ROE and Dividend Pay Out) were significantly associated with creative accounting. The study further revealed that ROE was negatively associated with net income before tax, the cash flow ratio and the gearing ratio indicating a possible existence of income-decreasing earnings management. Non-performing loans and net income after tax were, however, positively associated with ROE, indicating the fact that there was creative accounting when operational risk was high.

RESEARCH METHODOLOGY

Research Design and Data Collection - This study employed the *ex-post facto* research design as it permits the examination of independent variables in retrospect for their possible relationship with dependent variables. The study's population comprised the fifteen quoted banks on the Nigerian Stock Exchange from 2011 to 2016, while fourteen banks were used as the sample for the study. Skye Bank was dropped due to the unavailability of data. The panel least square method was used in order to analyze the data collected.

Model Specification - This study adapted the methodology applied by R-D. Chang, W-H. Shen and C-J. Fang (2008) to estimate loan loss provisions as a proxy for aggressive earnings management with the variables: loan charge-offs and the beginning balance of the allowance for bad debts. The loan loss provision is equal to the sum of the ending balance of the allowance for bad debts and the loan charge-offs, then deducting the beginning balance of the allowance for bad debts is modeled as follows:

$$DLLP_{it} = (PRIV_{it}, FRGN_{it}, GOVT_{it}, CEOTEN_{it} + GENDER_{it} + BDSIZE_{it} + SIZE_{it}) \quad (1a)$$

Discretionary loan loss provisions cannot be directly observed; hence it is estimated by regressing the loan loss provisions on the explanatory variables in Equation (1a); hence the residual estimated as the discretionary loan loss provisions. Subjecting the explained variables in (1a) to the regression model, the required equation is given as follows:

$$DLLP_{it} = \alpha_0 + \beta_0 PRIV_{it} + \beta_1 FRGN_{it} + \beta_2 GOVT_{it} + \beta_3 CEOTEN_{it} + \beta_4 GENDER_{it} + \beta_5 BDSIZE_{it} + \beta_6 SIZE_{it} \varepsilon_{it} \quad (1b)$$

DLLP denotes the discretionary loan loss provision (aggressive earnings management); *PRIV* denotes a private shareholding in percentages; *FORGN* denotes a foreign shareholding in percentages; *GOVT* represents a government shareholding in percentages; *BDSIZE* denotes the number of the directors on the board. *CEOTEN* are assigned the dummy of external financing the value of 1, when the underlying firm has an external financial plan; otherwise, it is assigned the value of 0; *GENDER* denotes the number of the female directors on the board; *SIZE* denotes the natural log of the total assets, where i and t represent the sample, and the *t* of the quoted firms. The coefficient of the independent variables is expected to be β_0 to $\beta_6 > 0$

RESULTS AND DISCUSSION

This section deals with the presentation of the descriptive results in respect of the ownership structure and the other characteristics. As can be seen in Table 1, the private shareholding in the Nigerian DMBs constitutes 81% of the ownership structure, with the foreign shareholding accounting for 15% and the remaining 3% accounting for the government shareholding. This structure does not exceed the threshold of 10% of the Government's equity holdings (both direct and indirect) (CBN, 2006). The results also show that the discretionary loan loss provision has a small mean value of 7.4%, with the maximum value of 97%, and the minimum value of 1.2%. Thus, it shows that Nigerian DMBs manage their earnings, on the average.

The result of the mean of 0.13 for *CEOTEN* implies that the CEO tenure affects earnings about 13% on average. The Jarque-Bera large values satisfy the normality test for the result with the *p* value of 0.000 showing that the values are normally distributed. The standard deviation of the whole independent variables is relatively larger compared with the mean. This implies that different levels of pressure are borne by different banks. It thus shows a large and material divergence between the banks' behavior regarding the loan loss provision, the ownership structure and the board tenure.

Table 2 shows that there are both the negative and the positive relationships amongst the variables. As can be seen in the Table 2, there is a very strong and inverse relationship between the foreign and the private shareholdings ($r = -0.963$). This means that a unit increase in the private shareholding leads to a

Table 1 The descriptive statistics of the Nigerian banking ownership structure

	DLLP	PRIV	FORGN	GOVT	CEOTEN	GENDER	BDSIZE	SIZE
Mean	7.456310	81.32976	15.49560	3.180476	0.130952	2.142857	14.05952	7.170411
Median	4.400000	91.38000	0.115000	0.330000	0.000000	2.000000	14.50000	7.124040
Maximum	97.00000	100.0000	100.0000	35.00000	1.000000	5.000000	19.00000	8.463581
Minimum	1.200000	0.000000	0.000000	0.000000	0.000000	0.000000	10.00000	5.407172
Std. Dev.	11.47776	26.15163	25.09820	7.025393	0.339374	1.406892	2.743453	0.755223
Skewness	6.018422	-1.705193	1.830367	3.073275	2.187932	0.110323	-0.083688	-0.285533
Kurtosis	45.76172	5.069848	5.611682	12.15105	5.787049	2.201521	1.833384	2.247219
Jarque-Bera	6907.076	55.70249	70.77648	425.3262	94.20542	2.401884	4.861525	3.124783
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.300911	0.087970	0.209634
Sum	626.3300	6831.700	1301.630	267.1600	11.00000	180.0000	1181.000	602.3145
SumSq. Dev.	10934.34	56764.34	52283.35	4096.560	9.559524	164.2857	624.7024	47.34004
Observations	84	84	84	84	84	84	84	84

Source: Authors

Table 2 The correlation matrix of the explained and the explanatory variables

	DLLP	PRIV	FORGN	GOVT	CEOTEN	GENDER	BDSIZE	SIZE
DLLP	1							
PRIVATE	-0.068	1						
FOREIGN	-0.003	-0.963	1					
GOVT	0.264	-0.282	0.015	1				
CEOTEN	0.313	-0.131	0.123	0.048	1			
GENDER	0.050	-0.347	0.335	0.092	0.112	1		
BDSIZE	0.175	-0.358	0.281	0.332	0.173	0.429	1	
SIZE	-0.220	0.043	0.063	-0.385	0.072	0.061	0.326	1

Source: Authors

reduction in the government shareholding, and *vice versa*.

The Test of the Hypotheses - This subsection shows the inferential results in respect of the formulated hypotheses in order to make a policy recommendation with respect to the statistical pieces of evidence.

Table 3 shows the effect of the ownership structure and the characteristics of the board characteristics of the Nigerian banks. With respect to the ownership structure, the regression outputs reveal that the private (*PRIV: Beta = -1.42235; t = -4.430098, p < 0.0001*), the foreign (*FORGN: Beta = -1.482719; t = -4.464672; p < 0.0000*) and the government (*GOVT: Beta = -1.03732, t = -3.667092; p < 0.0006*) shareholdings have a significant impact on earnings management. This implies that a unit increase in any of the independent variables significantly leads to a reduction in aggressive earning management. Based on these results, the null hypothesis (H1) is rejected, and we conclude that private, foreign and government shareholdings have a significant impact on the aggressive ownership structure. These results agree with those of the earlier studies carried out by E. S. Alzoubi (2016), V. Ratnawati *et al* (2016) and N. Teshima and A. Shuto (2008), but they differ from O. R. Uwuigbe and A. S. Fakile (2012).

Table 3 The panel regression result regarding the ownership structure and the Characteristics of the Boards of Nigerian banks

Variable	Coefficient	Std. Error	Statistic	Prob.
C	-36.31809	56.20954	-0.64612	0.5212
PRIV	-1.42235	0.321065	-4.430098	0.0001
FORGN	-1.482719	0.3321	-4.464672	0.0000
GOVT	-1.03732	0.282873	-3.667092	0.0006
CEOTEN	7.60359	3.064378	2.481284	0.0166
GENDER	-2.813337	1.654602	-1.700311	0.0954
BDSIZE	-0.966747	1.110189	-0.870795	0.3881
SIZE	9.267763	7.866869	1.178075	0.2445
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.690634	Mean dependent var		7.670143
Adjusted R-squared	0.564362	S.D. dependent var		12.46398
S.E. of regression	8.226585	Akaike info criterion		7.295944
Sum squared resid	3316.158	Schwarz criterion		7.970493
Log likelihood	-234.358	Hannan-Quinn criter.		7.563883
F-statistic	5.469418	Durbin-Watson stat		1.852773
Prob(F-statistic)	0.000001			

Source: Authors

In order to test the level of significance in the second hypothesis, the regression outputs in Table 3 reveal that, with the exception of the tenure of the directors' status (*CEOTEN: Beta = 7.60359, t = 2.481284, p < 0.0166*) that show a positive and significant relationship with aggressive earning management, the other explained variables, such as the board size (*BSIZE: Beta = -0.966747, t = -0.870795, p > 0.3881*), the gender (*GENGER: Beta = -2.813337, t = -1.700311, p < 0.0954*) and the size (*SIZE: Beta = 9.267763, t = 1.178075, p > 0.2445*) have no significant effect on aggressive earnings management. The positive result in the directors' tenure status indicates that their tenure has expired, which suggests a possibility of an aggressive earning declaration. Based on the foregoing results, we conclude that the directors' tenures status has a significant effect on aggressive earning management, whereas the board size, the gender and the size of the firm do not have any significant effect on aggressive earning management in the selected banks for the period considered. This result agrees with the outcome of N. Hu *et al* (2015) stating that CEOs with a short-term and minor tenure report earnings more aggressively than those with long-term tenures, except for the penultimate year prior to their leaving. It also agrees with the agency theory that posits that managers' convergent interest gives rise to a conflict of interest. These results are also at variance with the study carried out by S. M. Chtourou *et al* (2001) and D. Pradeep *et al* (2014).

CONCLUSION

This study has established the fact that private, foreign and government shareholdings have an inverse relationship with aggressive earnings management. Also, the directors' tenures status has a significant effect on aggressive earning management, whereas the board size, the gender and the size of the firm do not have any significant effect for the investigated period. These findings clearly show that the influence of independent board members, which is also an important characteristic of the board, is excluded as a part of the variables investigated. Also, the small sample size of 84 and the 5 years period of investigation are rather too short. Nevertheless, the short time period, the sample size and the inclusion of the other characteristics of the board in this study provide a research focus for future research studies.

In line with the findings of the study, it is therefore recommended that the 10% threshold established by the CBN on the government shareholding should be maintained and adequate supervisory role should be put in place in order to ensure that the threshold is not faulted. Furthermore, foreign ownership should be encouraged for the purpose of providing external monitoring and expertise. Also, the study recommends that adequate attention and monitoring should be paid and conducted, respectively, by regulatory and supervisory agencies with respect to banks, especially upon expiry of the CEO tenure so as to discourage any personal interest that might likely influence decisions made by the board.

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UTICAJ VLASNIČKE STRUKTURE I KARAKTERISTIKA ODBORA DIREKTORA NA UPRAVLJANJE ZARADAMA U DEPOZITNIM BANKAMA U NIGERIJI KOJE SE KOTIRAJU NA BERZI

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U mnogim zemljama postoje organizacije koje se suočavaju sa ozbiljnim krizama zbog lošeg korporativnog upravljanja. Ova studija ima za cilj da utvrdi kako vlasnička struktura i karakteristike Odbora direktora depozitnih banaka u Nigeriji, koje se kotiraju na berzi (DB), utiču na agresivno upravljanje zaradama u periodu od pet godina (2011-2016). Prilikom analize prikupljenih podataka, korišćena je panel metoda najmanjeg kvadrata. Saznanja do kojih smo došli pokazala su da privatno, inostrano i akcionarsko učešće države ima negativan i značajan uticaj na agresivno upravljanje zaradama. Mandat direktora, takođe, značajno utiče na agresivno upravljanje zaradama, dok broj članova Odbora direktora, rodna struktura i veličina firme nemaju značajan uticaj u posmatranom periodu. Na osnovu tih saznanja, u studiji se zaključuje da vlasnička struktura ima značajan uticaj na agresivno upravljanje zaradama, dok, s druge strane, karakteristike Odbora direktora, izuzimajući mandat direktora, nemaju značajan uticaj u tom smislu. Stoga je preporuka ove studije, da se održi prag od 10-procentnog akcionarskog učešća države, dok se regulatornim i nadzornim agencijama savetuje da posvete adekvatnu pažnju i prate aktivnosti izvršnih direktora banaka, posebno nakon isteka mandata direktora, kako bi se zaštitili akcionari.

Ključne reči: korporativno upravljanje, vlasnička struktura, upravljanje zaradama, karakteristike Borda direktora

JEL Classification: G28, G32, G38