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THE NEXUS BETWEEN EARNINGS MANAGEMENT, DIVIDENT POLICY AND COPORATE PERFORMANCE: EVIDENCE FROM QUOTED BANKS IN NIGERIA

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ABSTRACT

This research work examines the nexus between earnings management, dividend policy on corporate performance. The research study used ex-post-facto research design and stratify random sampling techniques to select all commercial banks quoted in Nigerian stock Exchange(NSE), selecting and Applying the secondary data obtained from the annual financial reports of quoted banks in Nigeria. And data collected were effectively analyzed using descriptive statistics, correlation analysis, normality test, variance inflation test, heteroscedasticity test and multiple regressions. The results finding shows that accrual earnings management (AEM) has a coefficient 49.5. This indicates that AEM has positive effect on the corporate performance of banks as measured by ROE. The result implies that a unit increase on the AEM will cause the mean of ROE to increase by 49 units, the results show that real earnings management (REM) has coefficient of 16.6, which indicates that the increase in the management use of real earnings management by the firm will amount to increase in corporate performance as measured by ROE, and the lesser the use of REM on the accounting numbers the lesser the reported ROE of the banks will be. Base on the finding, the study therefore makes

policy recommendations thus; Regulators should checkmate the use of AEM by the banks, to be able to forestall an ailing entity on time and at best make public certain information that would be hidden by use of accrual earnings management. And firms Management should moderate the use of real earnings management in projecting earnings of the enterprise to guarantee sustainability of the firms.

Keywords: Earnings Management, Dividends policy, corporate performance, Banking Sector, Nigeria.

INTRODUCTION

A more reliable economic, true and fair view financial reports and efficient management team are the notable prerequisites for profitable investments in the world and most desired for investment decisions by resources providers and other stakeholders. The quest for true and fair view financial reports is leading proactive investors and managers to further or advance analysis of financial statements for effective and profitable investment decision globally. Firm's dividend policy and earning management are some of the most recently discussed topic in today's modern businesses because of its vital roles to organization's financial decision making organ.

Earnings management may be defined as "reasonable and legal management decision making and reporting intended to achieve stable and predictable financial result" (Oladipupo 2017). The term is understood to refer to "systematic misrepresentation of the true income and assets of corporations or other organizations" (Omoye and Eriki, 2014) or innovative ways of characterizing income, assets and liabilities (Simon-oke and Ologunwa, 2016). The practice of earnings management involves altering figures being reported through judgmental discretions as allowed by the Generally Accepted Accounting Principle (GAAP) to mislead the users into believing what is not valid in respect of the earnings' figures and hence influences contractual outcomes which depend on the reported earnings (Okolie, 2014). Earnings management is the use accounting skills, principles, techniques and practices by management with the views to influence or misrepresent reported earnings through the use of accounting methods or accelerating expense or under-accruing expense or untimely recognition or deferment of revenue transactions (depending on target objective) or using other methods crafted to influence earnings. Schipper (1989) defines earnings management as, "the process of taking deliberate steps within the constraints of Generally Accepted Accounting Principles (GAAP) to bring about the desired level of reported income.

From definition and assertion of Earnings management above it is vital at this point not to be confusing the concept earning management with fraudulent, illegal activities of manipulating corporate financial statements and report results that do not show true and fair views of economic reality or financial state of firms under review. This activity popularly known as 'window dressing or cooking the books' of accounts which are fraudulent or illegal misrepresentation of financial results. Earnings management happens in three ways: by the use of certain income structuring and/or transaction of expense; by changes of accounting procedures; and by the use of accruals management (Mcnichols & Wilson, 1988; Schipper, 1989). Out of these techniques of earnings management, accruals management is the most destructive to the accounting report's value because the shareholders are not aware of the amount of accruals (Moyer, 2012).

Accruals are simply defined as the difference between the cash flow from operating activities and earnings. Accruals can be categorized into discretionary accruals and non-discretionary accruals (Auruangzeb, A. & Dilawer, T. 2012). Discretionary accruals are alterations to cash flows selected by managers, whereas non-discretionary accruals are accounting adjustments to a firm's cash flows approved by the accounting standard-setting bodies (Rao & Dandale, 2008). While Uwigbe O. (2013) opted that dividend policy is the firm's outlined program used to decide how much of its residual profits will be paid out to shareholders in dividends. And the portion of the residual profits not paid as dividend is referred to as retained earnings. It is the schemes and rules followed by the management when rewarding the owners of the firm for investing their financial resources in the company (Nissim & Ziv, 2001) When business organizations pay dividend to its shareholders, then more investors are attracted toward that companies and stock market value of these companies automatically increase. Most of listed companies that operate in Nigerian stock exchange pay dividend to their shareholders. Akbar et-al (2012) opted that a firm's Dividend policies are guidelines and combination of rules on how dividend payments are to be made to its shareholders. When the dividend policy is described in better manner and written copy of that policy is available to shareholders, then they will be fully acknowledged how this policy is working. If the dividend policy is not specifically described, then investors look at history of the firm and observe its dividend payment patterns and their earnings. If the companies pervious performance is better and that is earns profit continuously and paying dividend regularly. It shows growth of the company. On the other hand if the pervious performance of company is not good than investors declined to make investment in such firms.

A firm's corporate value cannot be fully maximized on the long run unless it survives the short run business challenges (Mopho J.P et-al 2022). The desire to ensure sustainability of business operations has compelled firms to devised alternative means enhancing businesses which includes eco-friendly etc.(Seiyaibo & Frank 2022) Firm's stakeholders expects financial information that truly reflect the economic reality and transactions that took place in the firms of their interest, as well as other conditions that existed at the reporting period. Furthermore, they expect that profit or net earnings reported should be closely or approximately related to cash flows emanating from the firm's business activities and cash flows from its other(s) investing and financing activities. However accounts manipulation via earnings management and dividend policy has cut short these noble expectations and giving stakeholders' needs for further analysis of financial statements is prime objective of this research work.

Objectives of the Study

The prime objective of the research study is to examine the nexus between Earning Management, dividend policy on corporate performance in Nigeria from the year 2011 to 2021 periods and the specific objectives of the study were:

1. To analyze the effect of accrual earnings management on corporate performance in Nigeria
2. To evaluate the effect of real earning management on corporate performance in Nigeria
3. To investigate the effect of earnings per share (EPS) on the performance of Nigeria
4. To ascertain the effect of price earnings ratio (PER) on the corporate performance of Nigeria.
5. To determine the effect of dividend yield (DY) on the corporate performance of Nigeria.
6. To evaluate the effect of firms size on corporate performance in Nigeria

Research Hypotheses

In this empirical study, the researcher's emphasis is to test the below itemized hypotheses stated in null form:

H₀:1. There is no positive effect of accrual earnings management to firm's corporate performance in Nigerian.

H₀:2. There is no positive effect of real earnings management on the firm's corporate performance in Nigeria.

H₀:3. There is no positive impact of earnings per share (EPS) on firm's corporate performance in Nigeria.

H₀:4. There is no positive effect of price earnings ratio (PER) on the corporate performance in Nigeria.

H₀:5. There is no positive effect of dividend yield (DY) on the corporate performance in Nigeria.

H₀:6. There is no positive effect of firms size (FSIZE) on the corporate performance in Nigeria.

LITERATURE REVIEWS

Farhan Ahmed et-al (2018) Earnings Management and Dividend Policy: Empirical Evidence from Major Sectors of Pakistan This paper inspect the relationship between price earning (P/E) ratio as a proxy of earning management and dividend payout proportion. This paper utilizes multivariate analysis using 10 years annual data from 2006 to 2016. It delivers new confirmation demonstrating that when the return on equity is more prominent than the required rate of return, the P/E ratio and dividend payout ratio shows a negative relationship and positive convexity or vice versa. This study helps the corporate superintendents and stock financial experts to focus on decreasing payout ratio than the increasing payout ratio.

An, Li, and Yu, (2013), investigated the effect of earnings management practices on financial leverage, and the way this relationship is affected by institutional environments. The study employed using the data of 25,798 firms across 37 countries along the years 1889-2009. The study found that firms with high earnings management practices tend to have high corporate leverage, and this positive relationship is attenuated by strong institutional environments. Moreover, the results of the study lend strong support to the agency theory of free cash flows. Zamri, Abdul Rahman, and Isa (2013), investigated the impact of financial leverage on real earnings management. The primary purpose of this study was to determine whether the financial leverage has an impact on the real earnings management. The abnormal cash flows from operations, the abnormal production costs, and the abnormal discretionary model by Roychowdhury, 2006, is used in this study as a proxy for real earnings management. The study is based on 3,745 firm-year observations along the period 2006-2011, listed in Bursa, Malaysia. The study observed that a significant negative correlation exists between financial leverage and the practices of earnings management. It also observed that low leveraged firms have lower level of earnings management.

Although a notable research studies have been conducted in the past, on the nexus between Earning management and Dividend Policy globally, and none in Nigeria (to the best of my knowledge). With its main focus on the banking sector, manufacturing sector and non-financial sectors. Black (1976), in his study, argued that "the harder we look at the dividend picture, the more it seems like a puzzle, with pieces that just don't fit together" the researcher deemed it necessary to fill these gaps.

RESEARCH METHODOLOGY

This research work adopt and used quantitative research design approach, the study used the time series data and ex-post- facto research design was selected and used because the studied variables or events (business transactions) has already taken place, therefore the data already exist and the study made no attempt to manipulate its nature or value. The study used the secondary data of public quoted commercial banks in Nigeria collected in ten years between 2011- 2021. The data were retrieved from the published financial statements (Annual reports) of the various quoted companies used in the study and the stock exchange fact-book. The study used the stratified random sampling techniques. And it’s base on the availability of data and selects all commercial banks quoted in Nigeria stock Exchange (NSE)

MODEL SPECIFICATION

The model for this research work is premised on the main objective of this research and anchored on the sub- objective.

$$ROE = (\text{AEM}, \text{REM}, \text{EPS}, \text{PE-R}, \text{DY FSIZE}), \dots \dots \dots 1$$

This can be mathematically express as follows:

$$ROE_{it} = \beta_0 + \beta_1 \text{AEM}_{it} + \beta_2 \text{REM}_{it} + \beta_3 \text{EPS}_{it} + \beta_4 \text{PE_R}_{it} + \beta_5 \text{DY}_{it} + \beta_3 \text{FSIZE}_{it} + \epsilon_{it} \dots \dots (2)$$

Where;

ROE= Return on equity

AEM= Accrual earnings management

REM= Real earnings management

EPS= Earnings per share

PE_R= Price earnings ratio

DY= Dividend yield

FSIZE= Firm size

AEM it = Accrual-based Earnings Management

REM it= Real activity-based earnings management

F-SIZE= Firm Size or Firm Size (Fsize): Natural log of company's total assets (Babatolu et al., 2016; Ching et al.,2015; Zabochnikova 2016).}

Accrual-based earnings management (AEM): Many studies have employed different models in measuring accrual-based earnings management (Akhgar, 2015; Arkan, 2015; Beslic, Beslic, Jaksic & Andric 2015). Literature review has shown that the modified Jones model (1991) is the most favored model when measuring accrual-based earnings management, which is consistent with the study of Dechow and Skimmer (2000). For the purpose of this study therefore, the modified Jones model (1995) was adopted to measure accrual-based earnings management (AEM). This was achieved through the following steps:

1. Calculating the total accruals by equation:

$$TAC_{it} = NI_{it} - CFO_{it}$$

2. The study used the parameters of the modified Jones model (1995) through the linear regression model of the sample of selected companies for each year in calculating discretionary accrual as follow: And by applying the model above on the companies under consideration for each year of the

$$DAC_{it} = TAC_{it} - NDAC_{it}$$

$$A_{it} = A_{it-1} + A_{it-1}$$

3. Non-discretionary accrual In this study, the cash flows from operating activities abnormal level was used as a degree of real earnings management and the following model was Adopted and used to estimate the level of cash flows from business activities Cash Flows Statement Approach:

$$NDAC_{it} = \alpha_0 CFOA_{it} + \alpha_1 NI_{it} + \alpha_2 \Delta RE_{it} - \Delta RA_{it} + \alpha_3 TFA_{it} + \alpha_4 TAc_{it-1} + \alpha_5 TAcit-1$$

Where:

TAc_{it} = Total accruals in year t for organization i

NI_{it} = Net Income in year t for organization i

CFO_{it} = Cash flows from operating activities in year t for organization i

ΔRE_{it} = changes in revenue from the business activities in the year

ΔRA_{it} = changes real accrual from the business activities for the year

ANALYSIS AND INTEPRETATION

This research study investigates the effect of Earnings management and Dividend policy on corporate performance of the listed commercial banking firms in Nigeria. In analyzing the data, the study adopted multiple regressions. However, some preliminary analysis such as descriptive statistics, correlation matrix and diagnostic test like normality test, variance inflation test and heteroscedasticity test were done to ascertain the nature, characteristics and normality of the data used in this research work.

The data was analyzed using the following statistical tools,

Descriptive Statistics

The descriptive statistics result provides evidence on the mean distribution, maximum, minimum, standard deviation, median and the count of the data collected which span from 2012 to 2021.

Table 1

Descriptive Statistics

Stats	ROE	AEM	REM	EPS	PE-R	DY	FSIZE
Mean	9.182833	.8585	-.187	1.959167	5.569333	5.632333	9.23975
p50	12.02	.83	-.18	1.05	4.605	5.425	9.24
Min	-394.32	.22	-.48	-1.28	-1.24	0	8.19
Max	32.08	1.35	.18	7.79	27.08	19.05	10.07
Sd	38.85301	.2205556	.1237482	2.111395	3.936143	4.506959	.4119078
N	120	120	120	120	120	120	120

Source: Stata 14 output

From table 1 above, it is seen that the average ROE is 9.18, maximum value of ROE is 32, while minimum performance as measured by ROE is -394. The standard deviation score of 38.85 is an indication that the performance (ROE) of the banks varied widely among themselves for the periods covered by this study. Accrual Earnings Management (AEM) which was proxy by modified Jone's Model has average value of 0.85, maximum of 1.35, minimum value of 0.92 and standard deviation of 0.22, which shows that application of AEM is widely varied among the banks according to the disposition of their managements. The table also shows that real earnings management (REM) has mean value of -0.18, maximum value of 0.17 and standard deviation value of 0.12 which also show high variability on the application of REM among the managers of the banks. The data distribution disclosed that highest EPS of the

banks is 7.79, lowest EPS is -1.28, but the standard deviation of 2.11 is greater than the EPS mean score of 1.9, which shows that the EPS of the banks is dispersed. The distribution of price earnings ratio and dividend yield did not vary much as shown by the standard deviation which are both lower than the average scores.

NORMALITY TESTS: The study used skewness and kurtosis test and assess the normality distribution of the data generated.

Table 2
Skewness and Kurtosis Test

Variable	Obs	Pr(skewness)	Pr(kurtosis)	Chi2(2)	Prob>chi2
ROE	120	0.0000	0.0000	242.72	0.0000
AEM	120	0.9082	0.4670	0.54	0.7625
REM	120	0.4262	0.5197	1.04	0.5950
EPS	120	0.0000	0.1045	25.86	0.0000
PE-R	120	0.0000	0.0000	76.96	0.0000
DY	120	0.1220	0.0385	6.67	0.0355
FSIZE	120	0.3836	0.1069	3.36	0.1865

Source: Stata 14 Output

The normality result in table 2 above provides that return on equity ROE= 0.00, EPS= 0.00, P/E= 0.00 are perfectly skewed since their skewness value is almost 0. While AEM = 0.90, REM = 0.42, DY = 0.12 and FSIZE = 0.38 are moderately skewed since they have skewness values less than 1. More so, all the variables have kurtosis value less than 3. Therefore the data indicate that no outlier exists and no asymmetric problem is found on the data set generated.

Table 3
Correlation Matrix

	ROE	AEM	REM	EPS	PE-R	DY	FSIZE
ROE	1.0000						
AEM	0.1426	1.0000					
REM	0.0942	-0.5335	1.0000				
EPS	0.2740	-0.2324	0.3679	1.0000			
PE-R	0.1630	-0.1300	0.0142	-0.1186	1.0000		
DY	0.1999	0.2043	0.0885	0.4090	-0.3387	1.0000	
FSIZE	0.3045	-0.1278	0.4618	0.6613	-0.2557	0.5642	1.0000

Source: Stata 14 Output

The correlation table above shows that a positive and low relationship exists between return on equity and accrual earnings management (ROE/AEM = 0.14). The table shows that return on equity has very low and positive association with real earnings management (ROE/REM= 0.09). It also shows positive and low relationship between ROE and Earnings per share (ROE/EPS= 0.27). More so, the table provides evidence that ROE is positively relating with price earnings ratio (ROE/PE_R=0.16) and dividend yield ratio (ROE/DY = 0.19). It is important to note that the ROE relates positively with all the driver variables. However, different directions of relationships are observed at different degrees among the independent variables. Though, the highest degree of relationship exists between earnings per share and firm size (EPS/FSIZE = 0.66), but still, does not connote strong relationship, as it is not up to 0.8 as demands the rule of thumb. Meanwhile, the study will further conduct the test for high correlation to be sure that the data are free from high collinearity problem.

Table 4
Variance Inflation Factor

Variable	VIF	1/VIF
FSIZE	2.62	0.381665
EPS	1.89	0.528112
REM	1.81	0.553077
DY	1.77	0.565858
AEM	1.61	0.622920
PE-R	1.16	0.863686
Mean VIF	1.81	

Source: Stata 14 Output

From the table 4 above, it is shown that the mean VIF is 1.81. It is however, the rule of VIF to place a benchmark mean of 10 for acceptance level. Hence it is assumed that any result that produces mean VIF above 10 has a case of high correlation of the independent variables. Since our result is 1.81, which is far lesser than acceptable level of 10, we conclude that there is no presence of multicollinearity in our data.

Heteroscedasticity Test

Table 5
Breusch-Pagan Test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of ROE

chi2(1) = 641.15

Prob > chi2 = 0.0000

Source: Stata 14 output

Heteroscedasticity test has a decision rule that there is no heteroscedasticity if the probability of F-value is greater than the critical value at 5% level. The table 5 above indicates that probability value of 0.00 is lesser than the critical value of 0.05. Therefore, we conclude that there is presence of heteroscedasticity.

Table 6
Summary of Regression Results

	Panel regression (Fixed Effect Result)	Panel regression (Random Effect Result)
AEM	49.35 (0.043)**	49.5 (0.01)***
REM	18.38 (0.67)	16.6 (0.642)
EPS	6.09 (0.14)	3.35 (0.152)
PE_R	4.47 (0.000)***	3.17 (0.000)***
DY	0.21 (0.84)	0.12 (0.896)
FSIZE	30.8 (0.28)	26.1 (0.066)*
F-statistics	4.27 (0.000)***	30.53 (0.000)***
R ²	0.20	0.192
Hausman result P-value		0.516

Source: Researchers' compilation (2021)

Remarks: (1). *, **, *** means – statistical significance at 10%, 5% and 1% level respectively.
(2). Brackets () – represents P-values

The result from table 6 provides reports fixed effect result and random effect result components of panel data analysis. The Hausman test result shows $\text{Prob} > \chi^2 = 0.51$ which is higher than critical value of 0.05, meaning not significant. Therefore, the inference will be based on the random effect model which is preferable when the Hausman result is not significant.

Hence, the F-statistics of 30.53 and the P-value of 0.000 which is less than critical value of 0.05 indicate that the model is valid and good for making inferences. The R^2 of 0.19 indicates that the model will explain 19% of the variations in return on equity (ROE) of the banks studied, while the remaining 81% is contained by factors outside or model.

Hypotheses Testing

Hypothesis one -

The result shows that accrual earnings management (AEM) has a coefficient 49.5. This indicates that AEM has positive effect on the corporate performance of banks as measured by ROE. The result implies that a unit increase on the AEM will cause the mean of ROE to increase by 49 units, if every other variables are held constant. The probability value ($P > |t| = 0.01$) indicates that accrual earnings management is affecting return on equity of the banks significantly. Therefore, we accept alternate hypothesis and conclude that AEM has positive and statistical significant effect on corporate performance of banks in Nigeria at 1% level.

Hypothesis two -

The results on table 6 show that real earnings management (REM) has coefficient of 16.6, which indicates that the increase in the management use of real earnings management by the firm will amount to increase in corporate performance as measured by ROE, and the lesser the use of REM on the accounting numbers the lesser the reported ROE of the banks will be. Moreover, the P-value of 0.64 which is higher than the critical value of 0.05 indicates that, REM has no significant effect on corporate performance. Sequel to these findings we accept null hypothesis and conclude that REM has positive and no significant effect on corporate performance of banks in Nigeria.

Hypothesis three -

The result on table 6 above also shows that earnings per share (EPS) have a coefficient 3.35. That implies that EPS has positive effect on corporate performance as measured by ROE of banks in Nigeria. The P-statistics ($P > |t| = 0.15$) indicates that EPS is not affecting corporate performance of ROE significantly. Therefore, we accept the null hypothesis which says that EPS has no significant effect on corporate performance of banks in Nigeria.

Hypothesis four -

The result in table 6 further provides that price earnings ratio (PE_R) with a coefficient of 3.17 means that, price earnings ratio has positive effect on corporate performance of banks sampled in this study. The P statistics that has the value of 0.000 indicates that price earnings ratio has statistical significant effect on corporate performance of Nigerian banks at 1% level. There from, we accept alternate hypothesis and conclude that price earnings ratio has positive and statistical significant effect on corporate performance of banks in Nigeria.

Hypothesis five -

As further seen from result on table 6, dividend yield (DY) has a coefficient 0.12. This implies that dividend yield has positive effect on corporate performance of Nigerian banks. The result is an indication that a unit increase in dividend yield will result to a corresponding increase in the mean of corporate performance (ROE) of the banks by 0.12 units. More so, the probability

value ($P > t = 0.896$) indicates that dividend yield is not affecting corporate performance significantly. Therefore, we reject alternate hypothesis and conclude that dividend yield has no significant effect on corporate performance of banks in Nigeria.

Discussion of Results

The findings from our data analysis, there is empirical evidence that accrual earnings management is a major factor for setting the profitability of banks in Nigeria. Accrual earnings management has the capacity to change the corporate performance (upward or downward) of banks to the tune of 49 units, should there be a unit change (upward or downward) in the value of accrual management respectively. The result of this study affirms the multifaceted use of accrual earnings management by organizational management and the rise in the clamour for control of accrual management by the academia and industry. The implication of this result is that most of the high declared accounting profits of the banks are result embedded in high level of accrual earnings management. The fates of banks are still hanging on the premise of continued application of earnings management to be able to guard against corporate collapse. The findings of this study is in conformity with that of Healy and Wahlen (1999), whose result posited that firms use earnings management to fortify their financial reports to represent a positive image before the users.

More so, real earnings management discloses non-significant impact on corporate performance of banks in Nigeria. Roychowdhury (2006) explicitly positioned the real earnings management in the light of short term earnings conditioning objective. The usage of real earnings management will yield infinitesimal influence of corporate performance as represented by ROE. Conclusively as empirically generated from this study, real earnings management is not a strong determinant of corporate performance of banks in Nigeria.

Additionally, earnings per share prove not a strong determinant of corporate performance. This is just the measure of amount of net profit generated by the business organisation divided by number of share ranking for dividend, which does not portend any action in any way. Hence has no implication both in practice and in principle on the performance of banks. Meanwhile, higher return on equity could be likely to reflect on higher earnings per share since both of them are dependent on net profit of the enterprise, and that the bottom line of the manifestation of our result. To this end, our result consolidates on this reality by providing empirical evidence that earnings per share do not have significant influence on performance of banks in Nigeria.

The later finding of our study buttresses on the association between price earnings ratio and corporate performance as measured by ROE. The price earnings ratio carries empirical evidence that ROE would have to be increased by 3.3 units if price earnings ratio of the banks could increase by one unit, supposing every other variable is held constant. The ratio provides the prediction power of the likely time it will take to recoup investment in the share, which invariably is the function of the financial performance of the enterprise. Price earnings ratio is a powerful factor to consider when determinants of corporate performance are put on deliberation. Hence, it is important as presented by this result that consideration of the price earnings ratio of the banks will give a hint of the performance level of the bank. The finding disagrees with that of Farhan Ahmed et-al (2018), who believes that increase in ROE will lead to decrease in PE ratio.

Lastly, the dividend yield proves to be insignificant to the changes in performance of banks in Nigeria. The position of the dividend yield to ROE is to cause 0.12 unit changes in ROE when dividend yield is changed by one unit, if other independent variables are held constant.

The control variable of the study, firm size has shown that the size of the banks in Nigeria is a determinant factor in noting the banks that will have better corporate performance. Size of banks constitutes the size of assets invested in the enterprise which translates to its readiness to transact and transform operations to profit. However, this study has once again confirms that size of a firm is a string determinant to performance of banks in Nigeria.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

The findings from the empirical analysis are summarized as follows,

1. Accrual earnings management (AEM) has positive and statistical significant effect on corporate performance of banks in Nigeria.
2. Real earnings management (REM) has positive and no significant effect on corporate performance of banks in Nigeria.
3. An earnings per share (EPS) has positive and no significant effect on corporate performance of banks in Nigeria.
4. Price earnings ratio (P/E R) has positive and statistical significant effect on corporate performance of banks in Nigeria.
5. Dividend yield (DY) has positive and no significant effect on corporate performance of banks in Nigeria.
6. Firms size (F-size) has positive and statistical significant effect on corporate performance of banks in Nigeria.

CONCLUSION

The study has successfully completed the quest to ascertain the effect earnings management and dividend policy components on corporate performance of firms in Nigeria for the periods covering 2012 to 2021. The study made a special consideration for accrual earnings management and real earnings management as measure of earnings management while price earnings ratio and dividend yield were proxy for dividend policy. Panel regression analysis was employed to allow the correction of error of constant variance. The findings of the study came out strong that the major determinants of corporate performance among our variables are Accrual earnings management and Price earnings ratio.

Recommendations

Sequel to the empirical findings made, the study therefore makes policy recommendations as follows;

1. Regulators should checkmate the use of AEM by the banks, to be able to forestall an ailing entity on time and at best make public certain information that would be hidden by use of accrual earnings management.
2. Management should moderate the use of real earnings management in projecting earnings of the enterprise to guarantee sustainability of the firms.
3. Investors should not rely on the message of earnings per share, on their evaluation of the performance prospects of the banks where they consider investing.
4. The investors and shareholder are encouraged to include the use of price earnings ratio, which stands out to be a strong determinant of financial performance of the banks studied, as bases of making the right choice on the prospective entity to invest.

5. Investors are encouraged to shift their ground on the use of dividend yield for evaluation of firms ranking for investment. More importantly, such assessment as dividend yield should be used together with other tools to be able to decipher the real profitability prospects of the firm under consideration.

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