

CEO Shareholding and Discretionary Accruals of Firms Listed in Non-Financial firms in Nigeria

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Abstract

This study investigated the impact of CEO Shareholding on discretionary accrual of listed firms on the floor of the Nigerian Stock Exchange. The study used the ex-post facto research design. This informed the reliance on secondary data obtained from the published annual reports and accounts of a sample of eighty-six (86) non-finance companies and the sample size was determined via the Taro Yamane Formula. The study employed judgmental sampling technique based on certain criteria. The study employed CEO Shareholding (independent variables) while discretionary accruals via the Modified Jones Model. (Dependent variable) Both descriptive and inferential statistics were employed in the analysis of data. The major findings derived from this study CEO Shareholding insignificantly affect discretionary accrual. The study recommends that share-based option of executive compensation given to top business executives be encouraged as this has the tendency of increasing organizational productivity, efficiency and help reduce dysfunctional behavior among chief executive officers since their investments are also as stake, hence there will be goal congruence and the resultant effect reducing dysfunctional behavior. In addition, this study contributes to knowledge by providing empirical evidence that CEO Shareholding are not prime instigator of discretionary accrual in non –financial sector of Nigeria listed companies and the developed model can be used by researchers in both developed and developing countries.

Keywords: *CEO Shareholding, Discretionary Accrual, Earnings Management.*

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INTRODUCTION

Earnings management as a concept has attracted the attention of stakeholders and sustainability of business organization following the incessant accounting scandals home and abroad. It is triggered by quite a lot of factors in the operating business environment of the company such as to beat earnings benchmarks, avoid contravention of debt contract, to boost their reputation and remuneration (Burgstahler & Dichev, 1997 De Fond & Jiambalvo, (2004); Lui, (2016); Harvey and Rajgopal (2005). Regulatory bodies of Accounting Practitioners in Nigeria seems to be quiet on the issues of discretionary accrual, which has been long practice amongst many corporate entities in the Nations of the world, Abdulahi, (2020). Furthermore, stakeholders seem not to address the negative impact of earnings management on business organizations, which has caused most businesses go

underground both at the national and international scene, for example, Cadbury Nigeria Plc and Enron and Worldcom respectively, Bonyop, (2009); Ayala & Giancarlo, (2006).

Gleaned from the agency theory, CEO Shareholding has the tendency to impact discretionary accrual, Chief executive officer performs their jobs in own private interest to exploit wealth to the disadvantage of other critical stakeholders. This further propelled incentives for organizational managers to stage-manage their revenues to maximize their private wealth. It posited for example that companies managed by owners are more likely to be efficiently managed; hence they will try as much as possible to avoid been caught up with regulations and sanctions by regulatory authorities; top executives are often confronted with the problem of meeting their personal needs, such as good executive pay

and also needs of other critical shareholders. This conflicting interest between owner managers and other users of financial statement has resulted to the manipulations of annual reports by managers dominated majority share holdings, which in some instances have led to corporate collapses, reoccurring at both local and international scene.

The most famous of these criticisms according to the World Bank report (2017), is the issue relating to dysfunctional behaviors among organizational executives in financial disclosure and reporting, that has led to corporate collapse in Nigeria listed firms and CEO Shareholdings triggers such ugly behavior in the emerging economies, despite the introduction of accounting standards and industry regulations by the State actors, in an effort to address this constant collapse of business entities, caused by fraudulent financial reporting, new regulations and standards were introduced by Government regulatory agencies to curb this horrible development.

However, it is pertinent to note these fraudulent financial reporting practices still persist among firms listed in the NSE, and this accentuate the fact that the lack of enforcement of standards, sanctions and the immoderate quest for wealth maximization could be some of the banes of the extent and incidence of these scandals.

This ceaseless corporate crumple has led to the heated debate among regulatory authorities to proffer solution to this peril, as stakeholders are wondering whether CEO shareholding triggers dysfunctional financial practice among non-financial based listed firms in the Nigeria Stock Exchange.

The problem associated with discretionary accruals in rewarding CEO with shares has become worrisome to researchers, academia and other critical stakeholders in recent times, a couple studies were conducted in determining equity ownership incentives for earnings management and of them focused Advanced Economies such as UK, Canada and Australia (Huafang 2007; Gelb, 2000; Jualik, 2018; Joubert, 2012; Aygun, 2014).

In Nigeria such studies are rare and hardly pursues. Hence this investigated the influence of CEO shareholding on discretionary accruals of Firms Listed in Nigeria Stock Exchange Group in emerging economies like Nigeria.

The Related Literature

Concept of Earnings Management

Earnings management is the use of knowledge of accountancy and skills acquired by Accountant within the borders of Generally Acceptable Accounting Principles for the production of Annual Reports that look fantastically good about the entities operational and

Finance outlook other than the way it ought to be for their private gain. Alternatively, Healy and Wahlen (1985) connotatively defined Earnings management as ‘purposeful interference in the external Financial reporting process with the intent of obtaining some private gain (as opposed to say, merely facilitating the unbiased operation of the business processes’.

The concept of Creative Accounting has alternative names such as aggressive accounting, earnings management, window dressing, cosmetic financial statement among others (DeGeorge, 1999); Mulford & Comiskey, 2017). It is of interest to note that chief executive officers usually indulges in dysfunctional behavior, by either increasing or decreasing accounting figures, as permitted within available Accounting Standards to account and publish positive profit aimed at misinforming various critical stakeholders, Davidson (2013).

In this study the discretionary accrual is computed using the Modified Jones Model, and it denotatively defined as a non-compulsory disclosure of the expenditure /business asset within the financial accounting arrangements that is about to be realized. See section of materials & method for formula.

Equity Ownership:

This could be denotatively defined as the quantity of shareholdings held by persons and corporate organizations. The following are types of equity ownership namely; Institutional equity ownership, managerial equity ownership or CEO ownership and foreign equity ownership. However, this study will focus on CEO Shareholding.

Chief Executive Officer Shareholdings is alternatively called the managerial or insider equity ownership: is thus defined as the substantial ownership of the stocks of the company by the Chief Executive Officer. It is of interest to note that most stakeholders glance at business executive equity ownership from any of the two angles- the Naira worth of the chief executive officers financial in terms worth of his shares as an entitlement of his yearly cash compensation (Yang, 2008). But while trying to appreciate the incentive consequences of stock ownership, what actually matters is the proportion of the company’s outstanding shares the business executives owns as by controlling interest, constitutes a important an percentage of the total company worth. (Wallace, 2003 & Cyert, 2002).

Theoretical Foundation

Agency Theory

The agency theory is associated with Ross (1973) who propounded the theory and later built-up by Jensen & Meckling (1976). The theory is centered on difference of interest between the owners of business and managers of the business. The chief executive officer performs their jobs in own private interest to exploit

wealth to the disadvantage of other critical stakeholders, consequently there is movement of fund from the conglomerate to boss Jensen & Meckling, (1976).

This theory holds that business managers always tries to satisfy their private gains not minding what other stakeholders will get as profit. In an effort to reduce this ugly trend and enable managers to work for the best interest of all critical stakeholders, chief executive officer were remunerated according to results achieved. This further propelled incentives for organizational managers to stage-manage their revenues to maximize their private wealth.

Jensen & Meckling (1976) succinctly opined that the more capital held by the chief executive officer the greater they move away from the traditional business objective of the firm, but focus on their own private interest. Organizational top leaders also engage in earnings management to strengthen their current positions by forsaking the interest of other critical stakeholders, which rather intensify the agency conflicts instead of mitigating it.

The creation of compensation contracts based on income generated was necessitated by the divergence of interest among the people managing the business and owners, hence managers increase their pay and benefits derived from these contracts, they tends to manipulate theirs earnings upward and maximize their wellbeing by disclosing a distorted financial statement to shareholders by presenting the results they are expecting. Leuz (2003) concisely opine that the chief executive officer characteristic has the tendency to impact the individual behavior in an organization, which will eventually be reflect in the company's earnings management practice.

The importance of the above assertion is that the individualized chief executive officer shareholdings have the tendency to positively or negatively impact on discretionary accrual even as the management reports to owners of company as required by the law. Hence this study will diagnose the effect of chief executive officer shareholdings Discretionary accrual in Nigeria listed firms.

Empirical Review and Hypotheses Development

Recent studies have shown contradictory evidences on the relationship between CEO Shareholdings and earnings management in the Advanced Economies like Bangladesh, Mexico, Turkey and Canada etc.

Jualik (2018) conducted a study on the effect of capital structure on creative accounting among companies enlisted in the Bangladesh Stock exchange. The study focused on sixty –Nine firms listed in the Bangladesh Stock Exchange in an equal proportion among the various industries in the Bangladesh Market. The study covered the period of 2006-2016. The findings

revealed that family and institutional ownership reduces dysfunctional behavior in an organization.

Jouber (2012) carried a study to empirically examine the effect board of directors' attributes and creative accounting in both France and Canada. The study employed chief executive officer stock ownership, independent monitoring and institutional investors as proxy for directors attribute, while discretionary accruals was used as a dimension for earnings management. The study period covered 2006-2008. The major findings derived from the study shows that shareholding by chief executive officer, institutional investors property are major determinants of earnings management in both France and Canada, while the board size and leadership structure seems to be neutral.

Juan (2018) conducted a study on the effect of capital structure on aggressive accounting among companies listed in the Mexican capital market. The study focused on sixty –seven (67) companies listed in the Mexican Stock Exchange in an equal proportion among the various industries in the Mexican capital Market. The study covered the period of 2005-2015. The findings revealed that family and institutional ownership reduces dysfunctional behavior in an organization, such as creative accounting, the study concluded by asserting that the impact is a function of the firm size in the chosen industry.

Aygun (2014) carried out study on the ownership composition and board size, and its relationship on earnings management among Turkish firms. The study covers 2009-2012. The dimensions used for the study are institutional ownership, chief executive officer ownership and firm attributes were used as control variable. The major findings derived from this study revealed that return to asset positively impact earnings management, while leverage is negatively correlated to earnings management.

Huafang and Jiangua (2007) carried a study on the relationship among board composition, capital structure and level earnings management in China, and findings emanating from the study revealed that higher ownership concentration was significantly related to earnings management, but managerial, institutional and legal –person ownership had no relationship with earnings management.

Given this background we hypothesises that:

H₁: CEO share holding does determine earnings management practice among firms listed in the Nigeria Stock Exchange.

H₂: Firm attributes has no significant influence on discretionary accruals in Nigeria Listed Firms.

MATERIALS AND METHODS

The ex-post facto research design was deployed due to the fact that the events under consideration have

already occurred, as data exist before now consequently, no efforts is directed at maneuvering the independent variables in process of collection of data (Cole, 2017). The target and accessible population comprises aggregate firms in non-financial –sector in Nigerian Stock Exchange at 31st December, 2019 and have constantly submitted their annual reports to the Public for scrutiny from 2006 to 2019. The Taro-Yamane formula was deployed for the statistical determination of the sample size of this study, given:

$$n = \frac{N}{1 + N(e)^2}$$

Where: N = Population of study; (e) ² = Margin of error; n = Sample size; 1 = constant. Given the Taro-Yamane formula, N = 110; n = 110 / (1 + 110 (0.0025)²) = 110 / 1.275 n = 86.

The study adopted the judgmental sampling technique by streamling the companies into ten (10) industrial sectors to allocate the sample size of eighty-six (86).

Furthermore the analysis was done in order of precedence; descriptive statistics (mean, standard deviation, minimum and maximum values, skewness and kurtosis) of the variables ordinary least square (OLS). The statistical analysis was performed with software STATA 13.0 version.

3.7 Model Formulation

This study builds on existing demand function $D(f)(P, I, P_{OG_p})$ which is stated in the functional Form as $D = F(P, I, P_{OG})$ which state that the quantity demanded is a function of the price, income, price of other goods.. The demand function shows the association between the quantity demanded of a commodity and the consumer. It is one of the most important tools used by economist in forecasting and decision making (Vymetal, 2014). The model specified in this study would be based on cross-sectional and panel data obtained in respect of executive's distinctiveness and earnings management.

Deployment of panel data guess method helps the distinctiveness of the chief executive officer to be taken into consideration by allowing the intercept fluctuate for each industry but still assuming that the slope coefficients are constant across industries. Using Ordinary Least Squares (OLS) for the pooled cross-section panel data, the association between chief executive officer characteristics and earnings management written in functional palace as below:

$$DAC = F(CS, FS, RG, , MC) - \text{(eq. 3.1)}$$

Equation 1 is the implicit form of the association between chief executive officer share holding and discretionary accrual. However, equation 2 captures the explicit form of the regression model.

$$DAC = \alpha_0 + \alpha_1 CS_{it} + \alpha_2 FS_{it} + \alpha_3 RG_{it} + \alpha_4 MC_{it} + e_{it} \text{ (eq. 3.2)}$$

Assuming a straight line relationship among the variables deployed in this study, the specification of the regression equations for the main model and sub-model (1-3) above could be explicitly stated as:

$$DAC = \alpha_0 + \alpha_1 CS_{it} + \alpha_7 FS_{it} + \alpha_8 RG_{it} + \alpha_{10} MC_{it} + u_{it} \text{ (eq. 3.3)}$$

Where:

CS = Chief executive officers share ownership

FS = firm size

RG = revenue growth rate

MC = market capitalization

Where:

Discretionary accruals is dependent variable computed using the modified Jones Model using the formula stated below.

${}_{it}TACC_t$ = Total accruals in year t,

$\Delta CASH_t$ = Change in cash and cash equivalent in year t.

ΔCL_t = Change in current liabilities

ΔDCL_t = Change in short term debt included in current liabilities in year t.

DEP_t = Depreciation and amortization expenses in year t.

$tacc_t/at_t = \alpha_1 1/a_{t-1} + \alpha_2 (\Delta rev_t - \Delta rec_t)/at_t + \alpha_3 ppe/a_{t-1} + e_t$

eq. 3.4

$TACC_t$ = Total accruals in year t divided by total assets in year previous (year t-1).

$\otimes REV_t$ = Revenues in year t less revenues in year t - 1,

ΔREV_t = Delta revenue in year t less Delta net revenue in year t-1

PPE_t = Gross property plant and equipment in year t.

A_{t-1} = Total assets year t-1

α_1, α_2 and α_3 Residual in year t.

$dacc_t = tacc_t - ndacc_t$. eq. 3.5

Where: $DACC_t$ = Discretionary accruals;

$TACC_t$ = Total discretionary accrual;

$NDACC_t$ = Non-discretionary accruals

$ndacc_t/at_t = \alpha_1 1/a_{t-1} + \alpha_2 (\Delta rev_t - \Delta rec_t)/at_t + \alpha_3 ppe/a_{t-1}$ eq. 3.6

$NDACC_t$ = Non-discretionary accruals in year t divided by total assets in year previous year t-1).

$NDACC$ = Non-discretionary accruals divided by total assets in year t - 1,

$\otimes REV_t$ = Revenues in year t less revenues in year t - 1,

$\otimes REC_t$ = Net receivables in year t less net receivables in year t - 1,

PPE_t = Gross property plant and equipment in year t,

A_{t-1} = Total assets in year t - 1,

α_1, α_2 , and α_3 = Estimated parameters, namely alphas.

$I = 1, 2, \dots, 12$ and $t = 1, 2, \dots, 12$ (2006-2019)

Independent Variables

The independent variables is shareholding this is calculated as the proportion of the CEO shareholding to total share available for the year.

Control Variables

We would also consider some firm specific attributes identified in prior studies and their relationship with discretionary accrual as the control variables. The firm attributes namely:

Firm Size (FS): this could be measured as the log book value of total assets at the end of financial year.

Revenue Growth (RG) is calculated as the rate at which the firm sales increases or decreases from one period to the other. It is computed as new revenue minus old revenue divided by old revenue.

Where:

New revenue = is the current year revenue

Old revenue = is the prior year revenue

Market Capitalization (MC):

This can be measured multiplying the total number of a company's outstanding shares by the current market price of one share. i.e. log of Market capitalization.

E is error term capturing other explanatory variables not explicitly included in the model α_0 is the intercept of the regression. α_1, α_2 and $\alpha_3, \dots, \alpha_{10}$ are the coefficients of the regression.

RESULTS, CONCLUSION & IMPLICATION

Table 4.1: Summary of Descriptive Analysis

Variables	Mean	Median	Std. Dev.	Min. Value	Max. Value	Skewness	Obs.
CEO Shareholding	6.49913	0.1090	29.87243	0	862.83	22.9772	1039
Revenue Growth (revgrow)	63.6178	7.9601	1511.762	-100	46432.5	30.6173	944
Market capitalization (mcap)	6.73613	6.5547	.9715294	4.1769	10.2894	.373239	1038
Firm Size (fsize)	6.95564	6.8815	.8219796	4.9637	9.229	.180021	1041
Discretionary Accrual (dac)	-.067249	-.05900	.2317696	-4.1248	1.8334	-5.83027	953

Source: Researcher's Computation, 2021 via STATA

Table 4.1 shows the mean (average) of the dependent (discretionary accruals: *dac*), independent (*ceoown*) and control (*revgrow*, *mcap*, *fsize*) variables of the study, their standard deviation (magnitude of dispersion), skewness as well as the minimum and maximum values. The results shed light on the nature of the selected companies across the studied sectors in Nigeria. *First*, revenue growth (*revgrow*) shows the highest average with value of 63.6178. This was followed by firm size *Mcap*, *Revgrow* shows the highest dispersion with a standard deviation value of 1511.762, which was closely followed by CEO ownership (*ceoown*) with a standard deviation value of 29.87243.

The dispersion of CEO shareholding and discretionary accrual show that the sampled firms in the studied sectors are not too dispersed from each other; an

indication of relative change in discretionary accruals across the sampled firms. Moreover, the variation of the study variables during the period under review was recorded by the minimum and maximum values. While CEO ownership recorded the highest value (862.83); the maximum value was recorded by the Initiates Plc in 2016. While the other chief executive officer *shareholding* and firm attributes proxy (*revgrow*, *mcap* and *fsize*) are negatively skewed with discretionary accrual. In addition, whether chief executive officer ownership affects earnings management in Nigeria, controlled by firm attributes was done using correlation matrix (Pearson Correlation); the results are presented in Table 4.2.

4.2.2 Pearson Correlation

	Dac	CEO SHAREHOLDING	REVENUE GROWTH RATE	MARKET CAP	FIRM SIZE
Dac	1.000				
CEOSH	0.0186	1.0000			
REVGROWTH	0.0237	0.387	1.0000		
MCAP	0.0109	-0.1966	0.370	1.0000	
FSIZE	-0.244	-0.1520	0.0220	0.8493	1.0000

Source: Researcher's Computation, 2021 via STATA

In Table 4.2, the result shows that *fsize* (-0.0244) are negatively associated with discretionary accruals). As a matter of fact, *ceoown* (0.0186), *revgrow* (0.0237) and *mcap* (0.0109), are positively correlated with discretionary accruals. Moreover, the correlation matrix also revealed that no two (2) explanatory variables of the study were perfectly correlated, since

none of the correlation coefficients exceed 0.9. More so, the correlation result is also confirmed using Variance Inflation Factor (VIF) for testing multicollinearity and Breusch-Pagan and Cook-Weisberg results for testing heteroskedasticity.

4.2.3 Variance Inflation Factor (VIF) Test for Multicollinearity

Variable	VIF	1/VIF
MCAP	3.91	0.266032
FSIZE	3.74	0.267138
CEO OWNERSHIP	1.07	0.936868
REVGROW	1.01	0.9867768
MEAN VIF	0.11	

Source: Researcher's Computation, 2021 via STATA

4.2.4 Breusch-Pagan and Cook-Weisberg Test for Heteroskedasticity

The result of mean VIF = 0.11 is less than the accepted mean VIF value of 10.0; this result indicate that there is the nonexistence of multicollinearity problem in

the specified models of chief executive officer characteristics and earnings management. Again, the VIF result suggests that the specified chief executive officer Shareholdings and discretionary models are deprived of econometric biases and results can be relied upon.

Table 4.4: Breusch-Pagan and Cook-Weisberg Result

Ho: Constant variance	
Variables: fitted values of dac	
chi2(1)	= 76.46
Prob > chi2	= 0.0000

Source: Researcher's Computation, 2021 via STATA

Table 4.4 shows the Breusch-Pagan and Cook-Weisberg results; the result revealed that variables of chief executive officer Shareholding and Discretionary Accrual (*dac*) fit-well in the specified models of the study, because $\chi^2(1) = 76.46$ and $\text{Prob.} > \chi^2 =$

0.0000, which is statistically significant at 0.05% level; this implies that there is the nonexistence of heteroskedasticity problem in the specified models of the study.

Table 4.6: Ordinary Least Square Results for Chief Executive Officer Shareholding and Discretionary Accrual

Variables	ceo Shareholding	REVgrow	Mcap	Fsize
Coefficient	-.033486	0001175	.027208	-.03148
t-statistics	(-0.80)	(0.79)	(1.62)	(-1.63)
Prob- t	{0.422}	{0.428}	{0.106}	0.103}
No obs=	851			
Prob.F Stat	0.2075			
R ²	0.0156			

Note: *t* & *z* -statistics and their respective probabilities are represented in () and { }

Where: *** represents 1% & ** represent 5% level of significance

Source: Researcher's Computation, 2021 via STATA

Table 4.6 shows the ordinary least square (OLS) estimation coefficients, t-statistics, and probability of t-statistics, probability of f-statistics as well as R-Squared of chief executive officer shareholdings and Discretionary model. A careful examination of the OLS result showed that R-squared is 0.0156; this implies that the independent and control variables explained about 15.6% of the systematic variations in the dependent variable (discretionary accruals). The small R-squared

suggests that there are other excluded variables that drive Discretionary Accrual.

Furthermore, the Prob. F-statistics (0.2075) revealed that the results are insignificant at 5percent level; this suggests that chief executive officer shareholding and firm attributes insignificantly affect earnings management. Also, *fsize* negatively affect earnings management *ceoown*, *revgrow*, *mcap* positively

affect earnings management as indicated in their respective t-values and coefficients.

4.3 Test of Research Hypotheses

In order to validate the formulated research hypotheses of the study, the Wald Ch2-statistics was conducted; the results are presented as follows:

Hypothesis 1: Chief executive officers ownership has no significant bearing on discretionary accruals in Nigeria listed firms.

Table 4.8: Wald Statistics

Wald Ch2	0.33
Prob. Ch2	0.5680
T-value	1.05

Source: Researcher's Computation, 2021 via STATA

The results of Wald statistic is 0.33 with Prob. value of 0.5680, indicates that the null hypothesis that CEO ownership has no significant impact on discretionary accruals in Nigeria listed firms panned out.

Hypothesis 2: Firm attributes has no significant influence on discretionary accruals in Nigeria Listed Firms.

Table 4.14: Wald Statistics

Wald Ch2	9.16
Prob. Ch2	0.0573
T-values	Regvrow (0.79) Mcap (1.62) Fsize (-1.63)

Source: Researcher's Computation, 2021 via STATA

The result of the Wald statistic is 9.16 with Prob. value of 0.0573, suggesting that the null hypothesis panned out that firm attributes have no significant influence on discretionary accruals in Nigeria listed firms.

4. DISCUSSION OF FINDINGS

The practice of the use of discretionary accruals has made considerable numbers of firms no longer a going concern. As management engages in discretionary accruals, incomes, expenses and assets are manipulated; thus, the elements of financial statement no longer reflect real performance of the entities operations. The aim for which management employ discretionary accrual is to portray a fictitious picture of the financial position of firms. Firms achieve this by exploring loopholes in accounting methods/choices, which are accorded by accounting regulations.

In fact, the debate in accounting literature is that financial statement elements should as much as possible reflect real earnings (Verrachia, 2009; Barth, 2010; & Cole, 2017) rather than hypothetical earnings (Abdoli, Bakhtiarneshad & Bakshi, 2012; & Alhadab & Al-Own, 2017) since hypothetical earnings are believed to mislead both existing and potential investors in their investment and managerial decisions making.

Quite a number of researches have shown that CEO Shareholding affect earnings management of firms measured via discretionary accrual (Jouber 2012; Jualik, 2018; Juan, 2018 and Aygun, 2014) yet, whether this is the case for firm in emerging economies has not yet been examined. Consequently, this study examined the impact of CEO Shareholding on discretionary accruals determined using Modified Jones model and the study provides some key findings, which emanates from formulated research questions, are that CEO Shareholding and firm attributes has no significant bearing on discretionary accruals in Nigeria listed firms. Chief Executive Officer Shareholdings is the substantial ownership of the stocks of the company by the Chief Executive Officer. In accounting literature, there is evidence supporting the relations between Chief Executive Officer shareholding and discretionary accruals; however, the result on this relation is mixed. For instance, while Aygun (2014); and Juan (2018) found a positive and insignificant relationship between CEO shareholding and discretionary accruals, Jualik (2018) found a significant relationship.

In this study, we examined the extent to which CEO shareholding and the control variable such as revenue growth, firm size, and market capitalization impact on discretionary accruals of listed firms on the NSE. *First*, these results corroborates with the result of Aygun (2014); and Juan (2018) which showed that CEO shareholding is positively insignificant with discretionary accruals while revenue growth, market capitalization and firm listing age are positively related with discretionary accruals. Again, the finding in part agrees with the results of Jualik (2018); and Hosam (2019).

The practical implication of these findings is that while CEO shareholdings do not influence business executives to engage in discretionary accrual, revenue growth, market capitalization; again, the results followed a-priori expectation. *Overall*, Wald statistic provides strong evidence supporting the acceptance of the null hypothesis that firm attributes insignificantly impact on earnings management of publicly quoted firms in Nigeria; Sara (2016); Xiong (2016); and Julik (2018) confirmed this finding with similar result in their studies.

CONCLUSION AND RECOMMENDATION

Earnings management is the use of accounting gimmicks to produce financial reports that present an overlying positive view of a firm's activities and financial position. In accounting practice, there are some principles requiring firms' Chief Executive Officers (CEOs) to make judgments following their discretion; CEOs may take advantage of these accounting principles in order to manipulate earnings, revenues, or asset base of their firms. Thus, this has raised the practices of earnings management among publicly quoted companies in Nigeria and the world over. From the output of the inferential statistical tests conducted, premised on the

data collected on CEO Shareholdings in the study, there is no statistically significant influence of the operationalized CEO Ownership on discretionary accruals. The study concludes therefore that chief executive officers shareholdings do not drive dysfunctional financial behavior measured by discretionary accruals. Hence this study recommends that share-based option of executive compensation be encouraged as this has the tendency of increasing organizational productivity and efficiency and this has the tendency to reduce dysfunctional behavior among chief executive officers since their investments are also at stake, hence there will be goal congruence and the resultant effect reducing dysfunctional behavior.

Consequently this study provides empirical evidence of the effect of CEO shareholding on discretionary accruals of publicly quoted companies in the non-financial sector of the Nigeria Stock Exchange. The study established that CEO shareholding and firm attributes of market capitalization, firm size and revenue growth do not affect discretionary accrual and concludes that CEO shareholding and Firm attributes are not a prime instigator discretionary accrual.

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