CHIEF EXECUTIVE OFFICER CHARACTERISTICS AND EARNINGS QUALITY OF NIGERIAN LISTED FIRMS

Abdikarin Ahmed Abdi[1]

[1]*Faculty of management science, Simad University, Jidka Warshadaha 2526, Mogadishu, Somalia. EmaiL:abdikarincodey@gmail.com*

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ABSTRACT

The study sought to determine the effect of Chief Executive Officer Characteristics (Chief Executive Officer financial expertise, Chief Executive Officer Share ownership, Chief Executive Officer Nationality and Chief Executive Officer Tenure) on earnings quality of manufacturing firms listed on the Nigerian Stock Exchange. Four alternative hypotheses were developed revolving around Chief Executive Officer financial expertise, Chief Executive Officer Share ownership, Chief Executive Officer Nationality and Chief Executive Officer Tenure all in relation to earnings quality of manufacturing firms listed on the Nigerian Stock Exchange. The agency and the stewardship theory provided anchorage to the study variables. Quantitative research design was adopted targeting 38 manufacturing firms listed on the Nigerian Stock Exchange and census was used. Secondary data was gathered from annual reports of the Nigerian Stock Exchange and the respective over the period 2012 – 2019. Panel data methodologies were adopted during analysis supported by STATA version 15 and the findings presented through tables. The findings were that only

Chief Executive Officer financial expertise and Chief Executive Officer Nationality had negative but significant effect on earnings quality of manufacturing firms listed on the Nigerian Stock Exchange. The study concludes that Chief Executive Officers do not matter in the Nigeria capital market listed companies.

INTRODUCTION

The collapse of the equity markets in various countries globally has been attributed to the paucity in the quality of information related to financial accounting. Due to this development, investors are concerned about the availability of insufficient accounting data, particularly when it comes to reported results (Qawasmeh & Azzam, 2020; Belot & Serve, 2018). Thereby, acts of earnings manipulation have continued to rise not only in the advanced nations but also among, developing nation, despite the regulatory efforts to checkmate the activities of the executives and management of the corporation as reported by Dachomo and Bala (2020); Demaki and Jeroh (2016) and Adams (2016).

Previous literatures on earnings quality revealed the significance of the CEO attributes as one of the significant determinants of earnings quality (Fodio et al., 2013). The accusation of CEOs in the corporate financial fraud is prevalent around the world. Numerous researches have revealed that, CEO characteristics have been listed as one of the numerous factors that influence companies. For instance, the CEO of the Tyco, Kozlowski in the United States manipulated earnings which amounted to the loss of US100billion in the firm's market value (Bhasin, 2016). In addition to the evidence presented, the Satyam scandal occurred in India, where the CEO of Satyam accepted ultimate responsibility for all accounting misappropriation by faking the financial statement to make it appear that the company was larger, with higher profits and a faster growth rate than it actually was (Bhasin, 2015). Thereby, the personality of CEO is likely to have a vital impact on the success of the companies.

In Nigeria, several companies have been in organizational distresses, downfall and collapses in various magnitudes as a result of corporate fraud. This includes the African Petroleum Plc., Cadbury plc., Bank PHB, Spring Bank Plc., Leventis, Exide Battery, Oceanic Bank Plc., Inter-continental Bank Plc., Unilevers brother among others (Isa, & Farouk, 2018; Lawal et al., 2018). The demise of these behemoth corporations was unquestionably caused by poor earnings management techniques by CEOs, boards of directors, and governance processes. Thereby, several shareholders lost their confidence in the affected companies. As stated by Fodio et al. (2013), corporate governance regulations stand out to be the most significant tools and mechanisms to regaining the lost confidence.

The examination to this issue indicated significant problems in the account preparation and intentional misconduct of managers which led to the

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contemporaneous sack of eight bank CEOs by the governor of central bank of Nigeria (CBN) and also call for an examination of the efficacy of the controlling and monitoring of financial statement as well as managerial behaviour of those CEOs (Ndukwe & Onwuchekwa, 2014). This leads scholars to anticipate that present corporate governance tools will struggle to detect earnings management apparatus. Therefore, the present research is investigating the connection between CEO characteristics and earnings quality of manufacturing firms listed in the Nigeria stock exchange (NSE) with moderating effect of corporate age diversity.

STATEMENT OF THE PROBLEM

Studies in Nigeria have indicated poor earnings quality (Sanni & Olanrewaju, 2020; Lawal, et al., 2018). For instance, the case of Arik airline and Oando Oil Plc among others have cost the Asset Management Corporation of Nigeria (AMCON) the whopping sum of $366 million to salvage the company from collapse (AMCON, 2016). In 2017, the Nigerian Securities and Exchange Commission (NSEC) has suspended Oando Oil Plc shares from Stock Exchange Market for releasing a false financial statement and declaring a dividend from unrealized profit. The NSEC also found that Oando right issue circular contains misleading information to shareholders (The Eagle, 2017). In addition, the NSEC being the major regulator of the Nigerian Capital Market has delisted five companies in 2011, six in 2012, three between 2013/2014 and fourteen between 2015/2016 respectively. These companies were delisted due to involvement in reckless financial reporting practice and poor compliance with the code of corporate governance (NSEC, 2016).

Furthermore, most of the corporate scandals have been perpetrated by the CEOs (Sanusi, 2010). In 2012, 25 CEO's were reported to have been involved in financial scandals both in the financial and non-financial sector (Bravo, 2012). Also, in 2016, the CBN reported that the CEOs of Sterling bank, Fidelity, Access bank and the First bank have been indicted with fraud that led to the loss of customers and shareholders funds (Proshare, 2016). This also happened to Skye Bank where the CEO of Skye bank was sacked by the regulators due to loss of customer's deposit and loss of shareholders investment. Remarkably, when the new CEO was appointed after due diligence in the process of appointment, the company share value in the Nigerian Stock Exchange (NSE) shoot up to $166.666 (N50m) (Latif & Al-Dhamari, 2020; Miko, 2016). This is because the CEO's reputation and integrity boost investors' confidence that the company will continue as a going concern (Hasan & Rahman, 2020). Thus, there is a need to examine the role of CEOs in constraining the practice of financial management.

In view of these incidents, some scholars believe that the attributes of CEO namely: shareholding, financial expertise, CEO tenure and nationality among others are expected to improve the effectiveness of the CEO in monitoring the opportunistic behavior of management by overseeing the accounting procedure (Ali & Zhang, 2015; Baatwah et al., 2015; Du et al., 2017). Contrarily, evidence in Ali and Zhang (2015), Francis, Hasan and Li (2016), Hu et al. (2015) demonstrate that higher CEO shareholding and tenure increase the ability to engage in myopic financial manipulations. Therefore, it is crucial to examine whether the CEO attributes (shareholding, expertise, and tenure, nationality) reduces the CEO's ability to manipulate the financial statement and enhance earnings quality in Nigeria.

In addition, Hou et al (2017) investigated CEO tenure and revealed that it is one of the most contentious aspects of CG, and various researches are currently underway. In Nigerian companies, the CEO tenure is crucial because several CEOs have been in the position for more than 23 years. The lack of constraints on the length of CEO tenure in Nigeria could be the cause for this. In addition, CEO with financial expertise is another attribute as stipulated by the guideline of the Nigerian code of CG code (NCCG, 2014). To improve business performance, the code states that a CEO must be an expert in financial concerns. According to previous studies, the most distinguishable characteristics of these crucial persons are CEO tenure, CEO nationality, and CEO financial expertise. As a result, the purpose of this research is to look at corporate age diversity as a moderating factor in the link between CEO characteristics and earnings quality of manufacturing companies listed on the Nigerian stock exchange.

RESEARCH OBJECTIVES

To examine the effect of CEO characteristics (CEO financial expertise, CEO share ownership, CEO nationality and CEO tenure) on earnings quality of manufacturing firms listed on the NSE

RESEARCH HYPOTHESES

$H_1$1 CEO financial expertise has relationship with earnings quality of manufacturing companies in NSE.

$H_1$2 CEO Share ownership has relationship with earnings quality of manufacturing companies in NSE

$H_1$3 CEO Nationality has relationship with earnings quality of manufacturing companies in NSE

$H_1$4 CEO Tenure has relationship with earnings quality of manufacturing companies in NSE.

LITERATURE REVIEW

Agency theory is one of the most topical theories in the corporate governance literatures, which contended the dominance of the management. As a result, the agency theory is employed to explain the interaction between the principal (shareholders) and the agent (management) (managers). As defined by the agency theory, the manager is working as a representative of the shareholders, which actions and decisions are not observed. This also means that shareholders may not be aware of the consequence of many measures taken by the agent. This led to the information asymmetry between agents and shareholders that is regarded as the principal and agent issue. The asymmetric information could result to a moral hazard and adverse selection. That is, the moral hazard happened as a result of risk taken by the shareholder that led in costs related with that risk which the agent is insulated form. On the other hand, adverse selection occurs as a result of different information presented by the manager that causes the shareholders to incur undesired costs as a consequence of the imperfect information. Hence, information occurs to protect him from negative consequences of the risk.

Earnings management is an indication of the agency issue, that the consequence upon which improvement of the CEOs creates the tendency of reducing earnings practices. In those regards and effective CEOs practices are targeted to ensure agent-principal interest alignment, and protect the interest of shareholders, hence reduce the agency costs. Thus, it is recommended that CEOs mechanisms is used to reduce agency costs and ensure the interest of shareholders are protected through monitoring manager's activities by aligning the shareholder interest with the management. In addition, the issues bordering CEOs and board of directors were developed to bring in agreement with interest of agent and the principal. Therefore, the aims of this study are geared towards improving the overall effectiveness of the oversight function of the CEOs towards the quality of financial reports.

Stewardship Theory

This theory is another theoretical perspective that relates management and the owners of the company. For the improvement of the agency theory, stewardship theory considers sociological and psychological methods, which argued that there is an alignment between the interest of owners and the interest of the managers (Albrecht et al., 2004). Rather than monitoring and controlling, this idea focuses on the structures that allow and promote. They also disregarded the deeply individualistic form of agency theory, which promotes suspicious mechanisms by assuming that shareholders and management have distinct interests and seeing agents as primarily serving oneself. Also discarded was the idea that principals should keep an eye on opportunistic managers and use punishments or motivational forces to keep them in check.

As revealed by Al-Dhamari and Ku Ismail (2014), the stewardship theory advocates that the insider's executives have stronger knowledge compared to independent directors. Thus, it is expected to assist in facilitating the decision-making process of the company. This indicates that CEO characteristics like CEO experts, tenure and shareholding are expected to assist the CEO in ensuring the stewardship of the resources of the company. In addition, CEO as a leader is expected to ensure effective and efficient utilization of the firms' resources (Epps & Ismail, 2009). As indicated by Wolfers (2006), stewardship theory could explain significant role by CEO in ensuring the stewardship of the shareholders assets.

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EARNINGS QUALITY

This is the earnings that are correctly representing the proportion of earnings related to cash flow from operation (McNichols, 2002). Thus, any manipulation of the financial statement is likely to manifest in discretionary accruals. The reported earnings were a matter of concern due to managers use EM to hide the true position of the firm. As such, the stakeholders are unable to differentiate the true earnings figure from the falsified one (Bashiruddin, 2011). Hence, the perspective of the stated theory (agency theory), opportunistic behavior of management may result to earnings management as indicated in sub-section 2.4. Nevertheless, as argued by Beneish (2001), there isn't a generally accepted or agreed meaning of EM indicates differences in the explanations of previous empirical evidence in the researches that seek to present evidence of EM incentives.

CHIEF EXECUTIVE OFFICER (CEO) CHARACTERISTICS

According to Miller et al. (2013), the CEOs possess the great power to influence the choice of the processes and strategies and the company's performance. It is reported that some powerful CEOs use their power to influence the director nomination process to maintain a pliable board (Baldenius et al., 2014). In addition, powerful CEOs engage in to rent extracting activities in a low-quality disclosure environment (Kalyta & Magnan, 2008). Thus, proper knowledge of CEO attributes is essential for explaining corporate disclosure behavior. As revealed by the previous studies, these studies consider CEO share ownership, tenure, financial expertise and nationality. This explained in the subsection below:

CEO Share Ownership

According to Schiehll and Bellavance (2009), CEO share ownership refers to the proportion of all number of the share held by the CEO of the corporate organizations out of the total outstanding shares of the corporate firms. Consistently, the positive U-shape connection between the proportion of the CEO share ownership and the company value. Several studies document the CEO share ownership has strong and significant effect on the corporate firm value (Ting et al., 2015; Kim & Lu, 2011; Musteen et al., 2008). Companies with higher CEO share ownership are characterized by the presence of the dual role. This means the CEO excess power to dictate that process and the direction of the company. In addition, it was supported by Schiehll and Bellavance (2009) who posited that company with higher CEO share ownership would integrate some costly non-financial measures into the CEO bonus plan to sustain the long-term profitability of the company. Hence, the stock option plan is shown to enhance the CEO boldness towards risk taking.

Constantly, the CEOs with bonus plan a prospective display international market entry mode that benefits the long-term company performance (Musteen et al., 2008). According to Kim and Lu (2011), the

CEO share ownership has a substitute for external governance in preventing the effect of conflict of interest. However, Xie (2014) indicates that the CEO share ownership minimize the CEO risk-taking behavior. In agreement with this, care must be taken against the excessive CEO share ownership due to the fact that it will deter him from risk taking and eventually improve the earnings quality of the firms. Therefore, CEOs share ownership used in this study as independent variable to measure earnings quality.

CEO Financial Expertise

According to Custodio et al. (2013), CEO should possess some generic talent and skills to generate the firm's activities and many external environments like stakeholders, capital market and media. Consistently, the CEOs capacity to acquire this expertise was identified as a reflection of reaching good decisions and programs. Besides, skills accumulated over years of expertise receive higher pay package than others. This outcome is also justified with the fact that CEOs with financial expertise are financially sophisticated and more likely to manage actively the companies' policy related to financial aspect. As demonstrated by Maigoshi (2017) and Custodio and Metzger (2013b), it is exhibit how CEOs financial expertise affect the market value of the company whereas, taking business strategy decisions. Hence, this study employed CEO financial expertise as independent variable on earnings quality.

CEO Tenure

According to Aburime (2013), CEO tenure is the number of years spent by the manager as a chief executive officer. It has been emphasized that CEO tenure is used to entrench the resources of the companies. Previous studies also showed that there is a mixed finding regarding these studies. For example, Ali and Zhang (2015) and Liu et al. (2016) revealed that CEO tenure is used to control the trend of real earnings management. Also, Lam et al. (2013) indicates that longer CEO tenure enables him to get more experience to facilitate the companies' decision making and enhance the future performance of the company. Furthermore, Francis et al. (2008) display a significant relation between CEO tenure and earnings quality of the listed companies. Recently, Nuanpradit (2019) shown that CEO early years have no significant relationship with earnings management in Thailand. Base on the previous studies state above, this study used CEO tenure as independent variable as the previous studies shown the mixed finding towards earnings quality.

CEO Nationality

According to Kim and Rasheed (2014), foreign CEO is expected to use their expertise and required skill to improve the strength the corporate governance of the company. In addition, also it implies that CEO with foreign experience is more successful in organizational transformation. Thus, CEO with foreign experience is a signal that the companies are

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willing to internationalize with its operations by following the better and best governance practice which subsequently enhance the reported earnings. Thus, the report from Garba and Mikailu (2008) indicates that there are no differences in the performance in both local and foreign CEOs. Most especially, Hooghiemstra et al. (2019) revealed in their study that foreign directors are connected to the higher levels of earnings management. Based on the above evidence, it is necessary to investigate the connection between CEO with foreign expert and earnings quality.

RESEARCH METHODOLOGY

Research Design

According to Creswell and Clark (2017), the research design is a masterplan that explain the procedures and methods for collecting and analyzing the needed facts and required information.. This study used the quantitative methods to answer the research objectives as in consistence with the previous studies, where suggested using quantitative research method instead of qualitative research method which was widely employed in the prior studies (Taneja et al., 2011; Gorondutse, 2014).

Research Measurement and Instrument of the Study

This study used DV and IV to investigate the connection between CEOs attributes and FR quality. Tables 1 and 2 illustrate how the variables were measured.

Dependent Variable Measurement (Earnings Quality)

Table 1: *Measurement of the Earnings Quality with the Adopted Theories and Sources*

Variable Name	**Acronym**	**Measurement**	**Theory**
Dependent Variable			
Earnings Quality	DA	The discretionary accrual (DA) are employed by deducting non-DA from the total accrual of the every observation in the equation.	Agency Theory; Resource Dependency Theory

Independent Variables Measurement (CEO characteristics)

Table 2: *Measurement of the CEO Characteristics with the Adopted Theories and Sources*

Variable Name	**Acronym**	**Measurement**	**Theory**
Independent Variable			
CEO Share Ownership	CEO	The CEO's shareholding as a percentage of the company's total shares	Alignment and entrenchment Hypotheses

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		(Chandar, Chang, & Zheng, 2012; Demers & Wang, 2010)	
CEO Expertise	CEE	If the CEO possesses an accounting or business-related certification or is a member of a professional accounting organisation, the dummy variable is one (Baatwah et al., 2015).	Stewardship Theory
CEO Tenure	CET	The number of years spent as the company's CEO is counted (Ali & Zhang, 2015; Zhang, 2009).	Stewardship theory
CEO Nationality	CEN	A dummy variable with a value of 1 for a company with a foreign CEO and 0 for the others.	Stewardship Theory

Population of the Study

The study population covered all 57 manufacturing firms from 2012 – 2019 in accordance with the Nigerian regulation. This includes CBN, SEC, and NSE among others. However, only 38 manufacturing companies were used for this study because some firs had collapsed or also been delisted. Census was used and thus all the 38 firms were included in the analysis.

Method of Data Collection

This study employed secondary data source to collect data from annual reports of the manufacturing companies listed on the Nigerian Stock Exchange through Bloomberg and Thomson Reuter's DataStream which is in line with Sanda et al. (2005) and Uadiale (2012) studies. Hence, annual reports of the firms were retrieved from the NSE archive.

Method of Data Analysis

Two methods of analyzing data will be used for the purpose of this study. This comprised of descriptive statistics that provide which presents the information about the companies in terms of means and standard deviation (averages) and the inferential statistics which has to do with analysis technique via the panel data regression analysis. This inferential statistics used to test the hypotheses developed as stated in the previous chapter. The study employed the STATA version 15 software to analyze the data collected. Based on the diagnostic test of panel data, Heteroscedasticity, multicollinearity, and serial correlation are the common diagnostic tests to

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be conducted before analysis and econometric modelling can be done (Carneiro, 2006). These three (3) tests are required in order to prove that there is a high possibility that econometric assumptions are not violated and to obtain truthful results. This diagnostic includes: heteroscedasticity, correlation, autocorrelation, and multicollinearity.

Model Specification and Multivariate Regression of the Study

The association between CEO characteristics and earnings quality of industrial firms listed on the Nigerian Stock Exchange is investigated using regression analysis. The analysis result is an equation representing the accurate prediction of the endogenous construct on the basis of the exogenous constructs and moderating construct. This is utilized in cases where the exogenous constructs are interrelated with one another and with the endogenous constructs. The equation of the multivariate regression analysis is depicted as follows:

Model 1: Direct Relationship

$EQ\ (DA) = \alpha_0 + \beta_1 CEO_{it} + \beta_2 CEE_{it} + \beta_3 CET_{it} + \beta_4 CEN_{it} + \varepsilon$……………………………………………………………………………………………….(ii)

Where: EQ (proxied by DA) = Earnings Quality; CEO = CEO ownership; CEE = CEO financial expertise; CET = CEO tenure; CEN = CEO Nationality.

DATA ANALYSIS AND RESULTS

Descriptive Statistics

As indicated in the Table 3, the continuous variables are tested by the descriptive analysis, mean and standard deviation.

Table 3: Descriptive Statistics (Mean and Standard deviation)

Variables	Obs.	Mean	Std Dev.	Min	Max
Dca	304	-0.0572	0.1488	-1.0523	0.6117
ceoo	302	2.2259	7.7357	0	50.409
ceon	302	0.3543	0.4791	0	1
ceot	302	0.5662	0.4964	0	1
ceofe	302	0.2517	0.4347	0	1

Note: dca= discretionary accrual; ceoo= CEO share ownership; ceon=CEO nationality; ceot= CEO tenure; ceofe= CEO financial expertise

The result of the discretionary accrual for the entire manufacturing companies in Nigeria is indicated in the Table 3 as shown above. It shows that the average mean value has -.057 with the standard deviation of .149 and the minimum and maximum of -1.05 and 0.612 respectively. This result indicates -.057 of the discretionary accrual as it is consistent with studies conducted by Beasley et al. (2000) who revealed that nature of earnings manipulation in the manufacturing companies defer to other companies in Nigeria and this industry have less types of discretionary accrual that other industries. With regards to CEO share ownership of the

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manufacturing industries in Nigeria, the mean value is 22.3% with standard deviation of 77.4%; minimum of zero (0) and maximum of 50.41%. In addition, the typical CEO served as mean value of 8.65 years with a minimum of 1 year and maximum of 21 years. As for nationality of the CEO, the result of the foreign directors shows that mean value comprises of 35.4%. This displays that foreign directors only control 35% of the total board members. As compared to the foreign directors' number is higher than average mean of US firms (18%) as reported by Masulis et al. (2012) and 9% of the Turkey companies as indicated by Polovina and Peasnell (2015). The descriptive statistics also show that mean value for the CEO financial expertise (in term of experience in accounting, audit and finance) is 25.2%. This reveal that the percentage of CEO financial expertise member is slightly higher as compared to the study conducted by previous studies (Pfreffer & Salancik, 2003) This shows that manufacturing firms have an effective monitoring mechanism in the financial reporting process and may eventually increase the earnings quality.

CORRELATION ANALYSIS

According to Pallant (2011), correlation analysis is the first step in statistical procedures that assesses whether or not there is a mutual relationship between or among variables. Pearson correlation analysis was used in this case to examine and clarify the degree and direction of the relationship between studies constructs. As recommended by Hair et al. (2014; 2010), the correlation value of ±1 indicates an ideal positive relationship, whereas, the correlation value of zero (0) revealed no relationship. Based on the rule of thumb by Cohen (1988), the correlation of variables between 0 – 1.0 is as follows: a strong relationship is indicated as above ±0.5, middle relationship is indicated in the value between ±0.30 and ±0.50. Whereas, the correlation of ±0.1 and ±0.29 reveals a small relationship. The result of this study indicated that majority of the correlation are less than 0.80, as consistence to the study of Gujarati and Porter (2009), who the correlation analysis must not higher than 0.80 to safeguard that multiple linear problem is not present in this study Table 4 indicates the Pearson correlations for this study. In this study, the measurement of the Pearson correlation value indicates the strength and the direction of the relationship between two or more variables.

Table 4: Correlation Analysis

Constructs	dca	ceoo	ceon	Ceot	ceofe
Discretionary Accrual	1				
CEO shareholding	-0.025	1			
CEO nationality	-0.008	-0.02	1		
CEO tenure	0.0246	0.203	0.104	1	
CEO fin expertise	-0.023	-0.14	-0.092	-0.57	1

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Table 4 indicates that the correlation between earnings quality (discretionary accrual) as dependent variable and the independent variables. The independent variables share ownership, CEO nationality, and CEO financial expertise is inversely connected with earnings quality, according to the findings of the study. The CEO tenure and the firm's age, on the other hand, are adversely connected with earnings quality.

Linear Multiple Regression Analysis

Multiple regression analysis is a method that is used to examine the relationship between one or more exogenous construct statistically. There are assumptions of linear multiple regression analysis that includes normality test and multi-collinearity test. These assumptions are examined in the next section that follows:

Ordinary Least Square Result (OLS)

Prior to the investigation of Hausman test to select the appropriate model between the random effect model and random effect model, this section examined the OLS model to compare with the random effect model via Breusch Paga LM test. Thus, the result of the OLS is measured by R^2 in which the effect between dependent and independent variables are clearly highlighted. It was revealed that 19.5% of the discretionary accrual as indicated in the Table 4.6 is determined by the independent, moderating variables and control variables. According to the R^2 of the 19.5%, it is concluded that beyond 19.5% of the relationship with earnings quality (discretionary accrual) are determined by the independent variables whereas, the remaining 80.5% of the impact to the earnings quality is determined by other factors in the OLS model, compare to the result of the random effect model that have better result (23.2%) for the R^2.

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Table 5: Result of the Ordinary least square (OLS)

Variables	OLS
Constants	-0.71
	(0.478)
CEO Share ownership	0.04
	(0.971)
CEO Nationality	1.68*
	(0.069)
CEO Tenure	-0.34
	(0.737)
CEO financial expertise	1.77*
	(0.080)
No of Observation	304
Prob>F	0.000
R-square	0.195
Adjusted R-square	0.175

Note: dca= discretionary accrual; ceoo= CEO share ownership; ceon=CEO nationality; ceot= CEO tenure; ceofe= CEO financial expertise; fgrowth= firm growth; fsize= firm size; fage= firm age.

Hausman Test (Between Fixed and Random Effect Model)

This study employed the panel data estimation method as it is having many benefits over cross-sectional and time series sets. The techniques for panel data analysis have two approaches. This includes fixed effects model and random effect model. The fixed effect accepts omitted effects exact to cross sectional parts are constant over time. On the other hand, the random effect model assumes the omitted effect is random over time. Thus, the Hausman test was conducted to select between the random effects and fixed effects method.

Table 6: Hausman Test (Cook-Weighberg Test)

Models	Chi2(7)	Prob>Chi2	Decisions
Earnings Quality (DA)	6.39	0.4954	Accepted

Hausman test in the Table 6 shows the p-value for the models are greater than 5% (p =0.4954). This result indicates that random effect model is appropriate model for the linear regression analysis. Therefore, random effect will be used for the hypotheses testing in this study as recommended by the previous studies (see Table 7).

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Table 7: Result of the Multiple Linear Regression Analysis

Variables	Random Effect Model
Constants	-0.64
	(0.520)
CEO Share ownership	-0.01
	(0.993)
CEO Nationality	-1.67
	(0.086)
CEO Tenure	-0.66
	(0.510)
CEO financial expertise	-1.98**
	(0.048)
No of Observation	304
Prob>F	0.000
R-square	0.222
Adjusted R-square	0.1918

Note: dca= discretionary accrual; ceoo= CEO share ownership; ceon=CEO nationality; ceot= CEO tenure; ceofe= CEO financial expertise;

The result of the Hausman test is indicated that random effect model is more suitable for the testing of hypotheses through multivariate regression analysis. A compared compare to the result of the ordinary least square (OLS) of R^2 = 19.5%, the result of the random effect model (R^2 = 23.2%) of the relationship with earnings quality are better and more suitable to analyze and test the hypothesize variables. Therefore, this study adopts random effect model for further analysis.

After examining the assumption of the regression analysis, this study conducts the main regression analysis using Stata 15 to investigate the effect of CEO share ownership, CEO nationality, CEO tenure, and CEO financial expertise on earnings quality with the moderating effect and control variables as corporate age, firms' size and corporate growth. The multivariate regression (Random effect model) was used purposely to regulate the predictive capacity of the dependent variable by each and every independent variable. The result in the Table 4.8 revealed the R^2 for the model of this study as 22% of the variance explained. Thus, this means 22% of the variance in earnings quality was explained by the exogenous constructs and control variables used in this study. As suggested by Tabachnich and Fidel (2007), this result is considered acceptable as this variance in the manufacturing earning quality was statistically explained and interpreted by the regression equation. The R^2 result shows the overall goodness of fit of the model. This also determines the coefficient that illustrates the exogenous constructs that affect the variance of the endogenous construct level.

The result in the Table 7 above reveals that CEO share ownership is negatively and significantly related to earnings management (t= -0.01; p > 0.10). Thus, hypothesis (H_1) is not supported. This finding contradicts the agency theory and stewardship theory, which suggest that high CEO share

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ownership is essential to enhance the board monitoring as this eventually led to earnings quality (Pfreffer & Salancik, 2003). With regards to the CEO financial expertise, the result reveals a significant negative relationship between CEO financial expertise and earnings management (t= -1.98; p < 0.10). This shows that the increase in the financial expertise of the member of chief executive officers reduce the earnings manipulation and eventually enhance the earnings quality. Hence, the hypothesis (H_2) is supported. The result also interpreted that monitoring responsibility of the board of directors are delegated to both CEO and audit committees, as it is part and parcel of their responsibility of discerning the corporate financial status (Al-Rasas, 2016; Park & Shin, 2004 & Beasley et al., 2009).

Based on the CEO nationality of the manufacturing firms in Nigeria, the result shows that the nationality of the chief executive officers have negative and significant effect on the earnings management (t= -1.67; p < 0.10). Hypotheses H_3 was supported. The findings indicate that manufacturing companies headed by the CEOs with foreign nationality are less likely to manipulate their earnings through production (Sani, 2019; Pandey & Rhee, 2015). This is consistent with the stewardship theory that CEO is expected to be more responsible for managing the company resources to enhance the earning quality. However, the result in the Table 4.8 show that the CEO tenure is not significantly related to earnings management (t= 0.66; p < 0.10). Thus, the Hypothesis (H_4) was not supported. The findings could not support the stewardship theory and agency theory which suggests that the tenure of the CEO members is essential to enhance the earnings quality in the manufacturing industry. This is also contradictory to the result of other previous studies that show the significant relationship with earnings quality.

Summary of Tested Hypotheses and Theories

Out of the eleven (11) hypotheses tested in this study, seven (7) hypotheses were significant as designated in the Table 8 below:

Table 8: *Summary of Tested Hypotheses and Theories*

Hyp	**Detail**	**t-value**	**p-value**	**Results**
	Direct Relationship			
H1	CEO Share ownership have relationship with earnings quality	-0.01	.993	Negative and insignificant
H2	CEO Nationality have relationship with earnings quality	-1.67	.086	Negative and Significant
H3	CEO tenure have relationship with earnings quality	-0.66	.510	Negative and Insignificant
H4	CEO financial expertise have relationship with earnings quality	-1.98	.048	Negative and Significant

CONCLUSION AND RECOMMENDATIONS

The current study examined the effect of CEO characteristics and corporate attributes on earnings quality of quoted manufacturing firms in Nigeria. Thus, the effectiveness of the CEOs and corporate attributes on earnings quality in Nigerian main market listed manufacturing companies. The findings suggest that CEOs does matter in the Nigeria capital market listed companies.

Recommendations of the Study

The current research investigated the effect of CEO characteristics on earnings quality of listed manufacturing firms in Nigeria. Thus, these findings will contribute to the body of relevant knowledge theoretically, practically and methodologically. Theoretically, this study supports the proposed theories (agency theory and stewardship theory) and has made vital contributions in the accounting, auditing, and finance literatures. This study provide empirical evidence on how CEO attributes act as exogenous constructs that are related to the earnings quality in the manufacturing industry in Nigeria. With constant slope across firms and time, the random effect model used in this study provides better and effective result compare to the OLS and the fixed effects.

Practically, these findings could give an insight to the regulators in the area of accounting and auditing; government for their policies formulation; stock market and financial experts; investor for investment decision as well as accounting professional bodies in Nigeria and beyond. This will show an extent the codes of corporate governance compliance regulators, laws and resolutions would be implemented by the manufacturing companies and other institutions in Nigeria and beyond. In addition, the findings of this study provide insights to the regulators and government for making new policies and deliberate on the issues of corporate governance in order to enhance manufacturing firms' performance. Finally, this study has provided a comparing model of OLS and panel data and has come to conclusion that results from panel data (random effect) is the better model to describe the context of earnings quality among manufacturing companies in Nigeria.

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