Effect of Creative Accounting on the Performance of Deposit Money Banks in Nigeria

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ABSTRACT

This research study investigates the effect of creative accounting on the performance of deposit money banks in Nigeria. A sample consisting of five deposit money banks in Nigeria for the period of ten years from 2007-2016 was used. The results of the study using multiple regressions revealed that, non- performing loans do not significantly affect banks performance. It also revealed that total accrual has no significant effect on performance of Nigeria deposit money banks while Gross earnings has a significant positive effect on the performance of Nigeria deposit money banks while Gross earnings has. It would be unrealistic to think that creative accounting practices among banks do not have any positive effect at all, but it is possible to minimize at least its negative effects by adopting International Financial Reporting Standard (a new standard), which gives more importance to ethical considerations and decrease the flexibility of bank managers in deciding among different accounting methods. This would improve the quality and further reduce misstatements of financial statements.

Keywords: Creative Accounting, Bank Performance, Non-Performing Loans, Total Accrual, Gross Earnings

1. Introduction

Financial reporting is a crucial element necessary for corporate governance system to function effectively. Financial accounting reports are produced to show the true and fair state of affairs of business entities so that stakeholders and other users of such information can take informed decisions. However, current accounting practices allow a degree of choice of policies and professional judgment in determining the method of measurement, criteria for recognition, and even the definition of the accounting entity. The exercise of this choice can involve a deliberate non-disclosure of information and manipulation of accounting figures, thereby making the business appear to be more profitable (or less profitable for tax purposes) and financially stronger than it is supposed to be.

Mulford and Comiskey (2002) identified creative accounting practices to include: recognizing premature or fictitious revenue, aggressive capitalization and extended amortization policies, misreported assets and liabilities, getting creative with income statement and problems with cash flow reporting. They added that managers play this game for rewards as favourable effect on share prices, lower corporate borrowing costs due to an improved credit rating, incentive compensation plans for officers and key employees and or political gains. The basic questions put forward to address this are: Can a firm increase its market value by creative accounting? Do shareholders and investors take the accounting figures at face value? Or are the firm's shares traded in efficient, well functional markets in which investors can see through such financial illusion? With this practice, users of accounting information are being misled and this constitutes a threat to corporate investment and growth (Osisioma & Enahoro, 2006; Akenbor & Ibanichuka, 2012)

While the financial number game may have different labels, participation in it has a singular ultimate objective namely creating an altered impression of a firm's business performance (Niskanem & Kebharju, 2000). Thus, Mathew and Perera (1996) look at creative accounting in both positive and negative light. They opined that creative accounting has positive effect if it enhances the development of accounting practices and negative effect when it is meant to mislead and defraud investors, creditors, bankers and other users of financial statements.

The list of recent cases of creative accounting practices seem to be growing as many financial institutions in Nigeria are being investigated in this

regard. The change of board members of 5 deposit money banks by the Central Bank of Nigeria (CBN) governor, Sanusi Lamido Sanusi in August 2009 and a more recent one by Godwin Emefiele, the current governor of CBN in July 2016 affecting skye bank Plc, were all as a result of doctoring of accounts to cover up certain inadequacies or some unscrupulous deals perpetuated by the bank management. The corporate failures of most Nigerian banks today and the arrest of some banks CEOs by the Economic and Financial Crimes Commission (EFCC) are as a result of fraudulent financial reporting, which has affected the stability of the financial system (Akenbor and Ibanichuka, 2012). Creative accounting practice has been increasing in recent years in the Nigerian banking industry to attract unsuspecting investors, or obtain undeserved accounting-based rewards by presenting an exaggerated misleading or deceptive state of bank financial affairs. It is evident that the extent of window-dressing of banks' Financial Statements in Nigeria has greatly violated all known ethical standards of the accounting and auditing profession (Osazevbaru, 2012).

There are many reports of price manipulation, profit overstatement, and accounts falsification by some dubious stewards which render financial reporting ineffective. The business failures of the past decade however, have been closely associated with corporate governance failure which involves a number of parties, management, board of directors, auditors and some investors (Ezeani, 2010). Most business organizations have always been connected with fraud and have always been affected by financial collapses. Accounting scandals like Enron, World Com, Xerox Parmalat, Tyco, Cadbury Plc, Afribank Plc, etc. have cost not only billions of naira to the stakeholders but also have damaged the image of the accounting profession as a result of financial mis-representation.

According to Osisioma and Enahoro (2006), accounting processes and choice of policies resulting from many judgments at the same time are capable of manipulation, which have resulted in creative accounting. The differences observed in financial reporting are legitimately prepared from choice of varied accounting policies of the same organization for the same period, which have brought about challenges of credibility to accounting (financial statements and reporting). However, communications between entities and shareholders may be deliberately distorted by the activities of financial statement preparers who wish to alter the content of the message being transmitted. It is upon this backdrop that this study investigates whether creative accounting practices affect financial reporting and the performance of deposit money banks in Nigeria.

2. Review of Related Literature

Theoretical framework

A number of competing theories combine to guide discussions on creative accounting and firm performance. The competing theories resonate in the agency theory, resource dependency theory, information theory and ethical theory.

Agency Theory

Agency theory propounded by Berle and Means (1932) suggests that owners are concerned that manager' interests are not in congruence with their own and that managers will act in ways that will prevent profit maximization. This will potentially threaten the company's existence, thus owners believe that such managers have a great deal of control over the firm. This study is anchored on the Agency theory which states that problems are bound to arise in any cooperative exchange when one party (principal) contracts with another (the agent) to make decisions on behalf of the principal (Michael, Peter, Sven-Olaf & Philippe, 2005). According to agency theory, the firm is a legal fiction which serves as a focus for complex process in which the conflicting objectives of individuals are brought into equilibrium within a framework of contractual relations (Meckling and Jensen, 1976). Agency, as widely known, is a consensual relationship existing between two parties by which the agent (manager) is authorized to act on behalf of another, the principal (Stakeholders).

Application of agency theory on creative accounting shows that the informational perspective is a key element underpinning the study of creative accounting phenomenon. A conflict is created by information asymmetry that exists in complex corporate structures between a privileged management and a more remote body of stakeholders (Shipper, 1989). However, the accountant or manager (agent) who is employed and delegated to prepare the financial statements for the organization is responsible to the management/stakeholders to present the accounts of stewardship of the organization. Managers may choose to exploit their privileged position for private interest, by managing financial reporting disclosures in their own favour. The informational perspective assumes that accounting disclosures have an information content that possesses value to stakeholders in providing useful signals. The manager (agent) therefore, must prepare an accounting statement that depicts true and fair view of the various transactions carried out by the organization according to the accounting principles, policies and standards. The relevance of the agency theory to this study is that accountants at times corroborate with the management either to increase or decrease (inflate) the financial statement at the detriment of the shareholders.

Resource Dependency Theory

In contrast to the agency theory perspective, resource dependency theory, propounded by Pfeffer and Salancik (1990) is hinged on the notion of independence. Managers are quite dependent on shareholders because managerial compensation is frequently tied to stock price, and investors have a great deal of discretion over where they invest their capital. If shareholders were concerned with whether managers had sufficient control over their firms, this might affect how managers account for firm performance. Although managers are limited by their dependencies, they can try to address the concern themselves by increasing their perceived amount of control (Pfeffer, 1981). Following Schlachter and Meindl's (1990) argument, managers can construct an illusion of control by not only taking credit for success but by accepting blame for negative outcomes. This not only address investors' worries that managers lack control but also addresses the dependency the firm has on the shareholders by boosting their perceived power.

Ethical Theory

Ruland (1984) opined that companies generally prefer to report a steady trend of growth in profit rather than to show volatile profits with a series of dramatic rise and falls. This is achieved by making unnecessary high provisions for liabilities and against assets values in good years so that these provisions can be reduced, thereby improving reported profits, in bad years. Advocates of this approach argue that it is a measure against the 'shorttermism' of judging an investment on the basis of the yield achieved in the immediate following years. It also avoids raising expectations so high in good years that the company is unable to deliver what is required subsequently.

Against this is argued that if the trading conditions of a business are in fact volatile then investors have a right to know this and that income smoothing may conceal long-term changes in the profit trend. Revinse (1991) considers the problem in relation to both managers and shareholders and argues that each can draw benefits from 'loose' accounting standards that provide manager with latitude in timing the reporting of income. He thinks that the prime role of accounting is a mechanism for monitoring contracts between managers and other groups that provided finance. Also market mechanisms will operate efficiently, identifying the prospect of accounting manipulation and reflecting the appropriateness in pricing and contracting decisions.

Creative Accounting and Bank Performance in Nigeria

Creative Accounting refers to the use of accounting knowledge to influence the reported figures, while remaining within the jurisdiction of accounting rules and laws, so that instead of showing the actual performance or position of the company, they reflect what the management wants to tell the stakeholders. Creative accounting comprises earnings manipulation and other forms of accounting manipulation that can be implemented within or outside of the procedures allowed by GAAP. Accounting manipulation within GAAP limits is known as "creative accounting" but when it is implemented outside of GAAP boundaries, it is considered accounting fraud. According to Jones (2011), Creative Accounting is simply using the flexibility in accounting within the regulatory framework to manage the measurement and presentation of the accounts so that they give primacy to the interest of the preparers not the users.

In agreement with Jones (1991), Jorion, Shi and Zhang (2009) among others attest that earnings management can be achieve by various means such as the use of accruals, changes in accounting methods and changes in capital structure (e.g debt, equity, debt-equity swaps). More specifically, Jones (1991) reported that discretionary accruals are used as measures of managers' earnings manipulations during import relief investigations. Previous studies such as Healy (1985), DeAngelo (1986), McNichols and Wilson (1988), Jones (1991) which use some type of discretionary accruals measure, discuss the partitioning of total accruals into discretionary and nondiscretionary components. Consequently, this study focuses on total accruals as the source of earnings management.

Bank performance entails whether a bank has fared well within a trading period to realize its objectives. The only document that explains this is presumably the published financial statements. According to Rose (2001) a fair evaluation of any bank's performance should start by evaluating whether it has been able to achieve the objectives set by management and stockholders. Certainly, many banks have their own unique objectives. Some wish to grow faster and achieve some long-range growth objective, others seem to prefer minimizing risk and conveying the image of a sound bank, but with modest rewards to their shareholders.

The Nigerian banking consolidation resulted in a decrease in the number of nonperforming banks. Decrease in non-performing loans, increase in bank branches, increase in total asset of banks, increase in total deposits, and increase in net interest margin were the major achievements arising from the consolidation. The huge recapitalization capital inflow to banks did not guarantee banking sector stability for a reasonable period. Despite all the admitted improvements, return on equity (ROE) was lower in Nigerian banks than what obtained in some other countries (IMF, 2008). These and other problems led to a major banking reform in August 2009, when eight of the 24 banks were found to be in grave conditions of illiquidity, capital inadequacy and poor corporate governance (Sanusi, 2009).

In executing the 2009 reform programme, the CBN injected the sum of N620 billion into the eight banks found to be non-performing in a bid to stabilize their operations. The banks that made some profits obviously were not affected. For instance, Zenith Bank Plc reported N20.6 million profit after tax in 2009 (Zenith Bank Annual Report, 2009), and First Bank Plc reported up to N35.074 billion in the same period (First Bank Annual Report, 2009). The issues raised above underscore the need for a thorough evaluation of the performance of the banking industry in Nigeria.

One key indicator of bank performance is the net margin on loans and advances. Since interest on loans and advances constitute the major turnover of banks, the net margin on loans and advances has direct impact on bank profit performance. Other performance indicators are return on equity (ROE), which is a relevant measure of equity investors 'residual claims of corporate income. It is a relevant profit indicator which assesses overall profit performance. Other indicators include, the return on assets (ROA), return on investment (ROI), and banks ranking on the CAMEL rating system. The CAMEL rating system, which is adopted by banks for international settlement, is an acronym for capital adequacy, asset quality, management efficiency, earnings strength (profitability) and liquidity.

Empirical Review

Studies that have investigated the effect creative accounting on financial reporting and firm performance are rather sparse, the few notable exceptions are summarized in Table 1 below.

Author (s)	Year of	Title of Study	Findings of Study
	Study		
Sanusi &	2016	Nigerian Commercial	Users of accounting information are adversely affected by
Izedonmi		Banks and Creative	creative accounting practice; Streamlining accounting
		Accounting	principles and rules to reduce diversities of professional
			judgment in financial reporting will help minimize creative
			accounting practices in Nigeria.
Osemene,	2014	Impact of creative	Non-performing loan is positively related to return on equity
Muritala &		accounting on firm	and dividend pay-out while gearing ratio and net income
olawale		performance in Nigeria	before tax is negatively related to both return on equity and
			dividend pay-out
Chen	2007	Do organizations that	Firms employing creative accounting practices reported
		employ creative	smaller EBIT values and smaller changes in EAIT
		accounting practices	
		report higher earnings	
		before and after tax?	
Desai	2006	Relationship between	Tax shelter products enable managers to manipulate reported
&Dharmapala		creative accounting and	earnings to mask true economic performance of their
		corporate tax	companies.
		avoidance.	
Osisioma &	2006	Creative Accounting	Creative accounting has positively affected information
Enahoro		and Option of Total	users and in Nigeria it is believed that the practice of
		Quality Accounting in	creative accounting is constructive to the benefit of the
		Nigeria	manipulator of accounts
Sen & Inanga	2005	Creative Accounting in	creative accounting include: concealment of financial risk,
		Banglasesh and global	circumventing borrowing restrictions, escaping shareholder
		perspectives	control, boosting reported profits/ minimizing reported
			losses, manipulating key ratios used in market analysis,
			enhancing management performance and gaining access to
			finance which would otherwise be impossible to raise

Table 1: Results of prior studies on impact of creative accounting on firm performance.

Sources: Authors Compilation 2017

Hypotheses

The hypotheses for this study are stated as follows:

- *H0*₁: Non-performing loans has no significant effect on performance of the Nigeria deposit money banks.
- *H0*₂: Total accrual does not have significant effect on performance of the Nigeria deposit money banks.
- H0₃: There is no significant effect of Gross Earnings on the performance of Nigeria deposit money banks.

Methodology

Research Design

This study utilized ex post-facto research design. The use of ex post-facto design for this study is justified on the premise that the study aims at measuring and determining the effect of creative accounting on banks' performance.

Population and Sample Size

The population of this research work comprises of all the 15 deposit money banks in Nigeria from 2007-2016 that are listed on the Nigerian Stock Exchange and retain their brand name. Croswell (2007) asserts that purposive sampling means that the inquirer selects individuals/respondents and sites for the study because they can purposefully inform an understanding of the research problem and central phenomenon in the study. Drawing from Croswell assertion, the non-probability purposive quota sampling technique is used in the selection of sample for this study; where banks were chosen based on availability of data needed for the purpose of the study.

Thus, the sample size for this study consists of five (5)

deposit money banks in Nigeria. These banks include: Diamond Bank Plc, First Bank of Nigeria Plc, Guarantee Trust Bank Plc, United Bank for Africa and Access Bank Plc. These banks were purposively selected for the analysis due to data availability and their financial statements are consistent for the period without breaking a year or giving a gap.

Sources of Data

For the purpose of this study, only secondary source of data collection were utilized. The main objective of this study requires secondary data which was obtained from the sampled deposit money banks in Nigeria i.e. annual financial statements and other records with the CBN, research and academic journals, dailies, and other relevant publications. The data obtained was subjected to statistical test to address research questions and affirm whether creative accounting has significant effect on bank performance.

Variable/Model Specification

To determine the effect of Creative Accounting on bank performance, this study adopts the modified Jones model. Consistent with Jones (1991) the discretionary portion of total accruals is used in this study to capture creative earnings management rather than the discretionary portion of a single accrual account (as used in McNichols and Wilson (1988) because total accruals should capture a larger portion of managers' manipulation. Also consistent with Collins and Hribar, (2002); William (2004), Dechow and Ge (2006), Ilanit (2007), Dabor and Adeyemi (2009), and Keefe (2012) Total Accruals (TA) are calculated by subtracting operating cash flows from profit before tax and extraordinary items for bank b at time t using details from cash flow and income statements of banks.

We first estimate total accruals and subsequently modify and employ the Jones model to investigate creative accounting. Clearly, measures of creative accounting based on the Jones (1991) model need to be modified for banks or other financial institutions that are not engaged in sales-based businesses. Thus, given consideration to the standard Jones (1991) model and modifications by Dechow, Sloan and Sweeny (1995) this study modify the Jones model by introducing gross earnings (GE) to replace SALE/REV. This is because what sales or revenue is on the financial statement of manufacturing firms are gross earnings to banks. Banks total gross earnings are the sum of interest and similar income, fee and commission, foreign exchange income, trusteeship income, income from investments and other income. In addition, what goods are to manufacturing industry are loans to banking sector. While manufacturing firms sell goods, banks sell loans. Therefore, there is every possibility for loans to go bad. Thus, to estimate these variables, the following formula applies: Gross Earnings (GE) = Interest Income (IINC) + Fee Commissions (FCOM) + Foreign Exchange Income (FOREXINC) + Trusteeship Income (TINC) + Investments Income (INVINC) + Other Income (OINC).

The introduction of Gross Earnings (GE) and nonperforming loans is to enable the model investigate discretionary accruals accurately as managers have discretions over accruals accounts and transactions like loans, nonperforming loans, and loan loss provision (Gebhardt & Novotny-Farkas, 2010; Tianran, 2011; Marton & Runesson, 2012; Rolland, 2012; Samadi & Valahzaghard, 2013). The dependent variable is Bank performance (BP) which is indicated by Return on Assets (ROA), Return on Equity (ROE) and Dividend Payout (DIVPO) as proxies; while the independent variable (Creative accounting) is proxied by: Non- Performing Loan (NPL), Total Accrual (TA) and Gross Earnings (GE). This is represented as: BP = f(NPL, TA, GE).

Thus, the regression equation for the prediction expressed in its econometric form is the cross-sectional version of the Jones model, modified by Kothari *et al.*, (2005) as follows:

 $BP_{it} = a_0 + b_1 TA_{bt} + b_2 ? NPL_{bt} + b_3 GE_{bt} + U_2$

Where:

BP = Bank performance

 a_0 = Intercept,

 $b_1 - b_3 =$ Partial regression coefficient of slope,

? \mathbf{NPL}_{bt} = Change in non-performing loans of bank b in time t,

 TA_{ht} = Total Accruals of bank b in time t,

 $\mathbf{GE}_{bt} = \text{Gross Earnings of bank b in time t},$

 U_{bt} = Error term.

To estimate creative accounting practices of the sampled population, we substitute BP for the dependent variables (ROA, ROE, DIVPO) and present the results in the following section.

4. Results and Discussion Results

As may be observed from table 2 below, the descriptive statistics shows that ROA has the lowest mean value of 0.4520 with standard deviation of 0.90. It minimum value is 0.2 with maximum value of 2.90. The mean value of return on equity is

0.6840 with standard deviation of 0.68. It has the minimum and maximum values of 0.13 and 2.01 respectively. While the mean value of dividend

payout of the sampled banks is 4.12 with standard deviation of 1.18. Its minimum and maximum values are 2.25 and 6.15 respectively.

Variables		Minimum	Maximum	Mean	S.D
Dependent	ROA	0.2	2.90	0.4520	0.90047
	ROE	0.13	2.01	0.6840	0.68266
	DIVPO	2.25	6.15	4.1150	1.18222
Independent	NPL	8.43	16.33	10.4270	2.31992
	TA	111	659	295.90	178.533
	GE	106	298	213.10	68.530

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ladie 2: Summary	Descriptive	Statistics	or the	variables

Sources: Authors Computation 2017

The descriptive statistics for the three proxies of measuring creative accounting such as Nonperforming loan, total accrual and gross earnings are shown in the table 2 above with TA having the highest mean value of 295.90, standard deviation of 178.5 where the minimum and maximum values are 111 and 659 respectively. Whereas the mean values of NPL and GE are 10.4270 and 213.10 with standard deviation of 2.32 and 68.5. There minimum and maximum values are 8.43, 106 and 16.33, 298 respectively.

Fable 3: Results of Variance Inflation Factors (VIF)
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Variable	VIF
NPL	1.913
ТА	1.935
GE	1.018

Sources: Authors Computation 2017

The results of Variance Inflation Factors (VIF) are shown in table 3 above. The decision rule is that, if the VIF coefficient for any independent variable is equal to one, that variable is independent of other variables i.e. has no collinearity and no significant effect on the relationship between the independent and dependent variable. The independent variable is considered to be dependent and in collinearity with other independent variables if the VIF coefficient of the variable is greater than five. A collinearity test was carried out for the independent variables using the Statistical Package for Social Sciences (SPSS 20) to examine the possibility of collinearity between the independent variables. The result from table 3 above shows that the values of the VIF range from 1.935 to 1.018 and are within the acceptable range and hence there are no collinearity problems with the data set and it fits the regression model.

Test of Hypotheses

 $H\theta_i$: Non-performing loans has no significant effect on performance of the Nigeria deposit money banks.

Model		Unstandardized		Standardized	Т	Sig.
		Coefficients		Coefficients		
		В	Std. Error	Beta		
	(Constant)	.976	2.215		.441	.675
1	NPL	143	.258	369	555	.599
	ТА	.001	.003	243	364	.728
	GE	.003	.005	217	.552	.601

Table 4a: Regression Result for ROA

Sources: Authors Computation 2017

Table 4b: Model Summaryfor ROA							
Model	R	R^2	F Statistics	SIG	Durbin-Watson		
	0.879	0.773	0.198	0.894	1.231		
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Sources: Authors Computation 2017							

The research hypothesis one is tested and the regression result in table 4 shows that coefficient of NPL has a negative relationship with ROA. There p-value of 0.599 is greater than 0.05 significant level which indicates that it is not statistically significant.

This means that we accept the null hypothesis by rejecting the alternative hypothesis and conclude that Non-performing loans has no significant effect on performance (proxied by return on assets) of Nigeria deposit money banks

Model		Unstandardized Coefficients		Standardized Coefficients	Т	Sig.
		В	Std. Error	Beta		
1	(Constant)	.278	1.681		.166	.874
	NPL	046	.196	.155	.233	.824
	TA	001	.003	345	516	.624
	GE	.002	.004	.151	.384	.714

Sources: Authors Computation 2017

Table 5b: Model Summaryfor ROE

	<u> </u>				
Model	R	R^2	F Statistics	SIG	Durbin-Watson
	0.296	0.88	0.193	0.898	1.786

Sources: Authors Computation 2017

Hypothesis two is tested and the regression result in table 5 shows that coefficient of NPL and GE has a positive effect on ROE whereas TA has a negative effect on ROE. There p-values of 0.824, 0.624 and 0.714 are greater than 0.05 significant levels which

indicate that it is not statistically significant. This means that we reject the alternative hypothesis by accepting the null hypothesis and conclude that Total accrual does not have significant effect on performance of Nigerian deposit money banks proxied by return on equity.

*H0*₃: There is no significant effect of Gross Earnings on the performance of Nigeria deposit money banks.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	В	Std. Error	Beta		
(Constant)	.096	1.503		.064	.951
NPL	.488	.175	.957	2.786	.032
TA	008	.002	-1.248	-3.619	.011
GE	.006	.004	.375	1.846	.114

Table 6a: Regression Resultfor DIVPO

Sources: Authors Computation 2017

Table 6b: Model Summaryfor DIVPO

Model	R	R^2	F Statistics	SIG	Durbin-Watson
	0.870	0.757	6.221	0.028	2.082

Sources: Authors Computation 2017

Hypothesis three is tested and the regression result in table 6 shows that, the coefficient of NPL and GE has a positive effect on DIVPO whereas TA has negative effect on DIVPO. Result also shows that there is a statistical significance between dividend payout, Non-performing loans and total accrual because the p-values of 0.032 and 0.011 are less than 0.05 significant levels. Since the p-values of 0.032 and 0.011 are less than 0.05 significant levels and accept the alternate hypothesis and conclude that Gross earnings has a significant effect on performance/dividend payout of Nigeria deposit money banks.

Discussion

The regression result for ROA shows that the coefficient of NPL, TA and GE has negative relationship with ROA. There p-values of 0.599, 0.728 and 0.601 are greater than 0.05 significant levels which indicates that it is not statistically significant. This means that we accept the null hypothesis by rejecting the alternative hypothesis and conclude that creative accounting has no significant effect on return on assets of Nigerian Deposit money banks. The result obtained from the model indicated in table 4b shows that the overall co-efficient of determination R^2 show that 77% of ROA is explained by the variables in the equation which is a good fit because its significance is above the bench mark of 50%. As adjusted (\mathbb{R}^2) tends to purge the influence of the number of the included explanatory variables, the R^2 of 0.565 shows that having removed the influence of the explanatory variables, the dependent variable is explained in the equation by 57%. The *F-Statistic* (*F-ratio*) shows the overall significance of the model and evaluates the goodness of fit model by testing its explanatory power of the model. The model is insignificant because the p-value of 0.894 is greater than 5% levels of significance. The Durbin Watson statistics of 1.231 shows that serial correlation is not a problem to the validity statistical inferences derivable from the regression result of the study. This result is in consonance with findings of Osemene, Muritala and Olawale, (2014), Akenbor and Ibanichuka, (2012) and Chen, (2007).

The ROE regression result shows that coefficient of NPL and GE has a positive relationship with ROE whereas TA have negative effect on ROE. There p-values of 0.824, 0.624 and 0.714 are greater than 0.05 significant levels which indicates that it is not statistically significant. This means that we reject the alternative hypothesis by accepting the null hypothesis and conclude that creative accounting has no significant effect on return on equity of Nigerian deposit money banks. The result obtained from the model in table 5b indicates that the overall coefficient of determination R^2 show that 88% of ROE is explained by the variables in the equation which is a good fit because its significance is above the bench mark of 50%. As adjusted (R^2) tends to purge the

influence of the number of the included explanatory variables, the R^2 of 0.296 shows having removed the influence of the explanatory variables, the dependent variable is explained in the equation by 29.6%. The *F-Statistic (F-ratio)* shows the overall significance of the model and evaluates the goodness of fit model by testing its explanatory power of the model. The model is insignificant because the p-value of 0.898 is greater than 5% levels of significance. The Durbin Watson statistics of 1.786 shows that serial correlation is not a problem to the validity statistical inferences derivable from the regression result of the study. This finding is consistent with the result obtained from previous studies such as Osemene, Muritala and Olawale, (2014) and Chen, (2007).

The Dividend Payout regression result shows that the coefficient of NPL and GE has a positive relationship with DIVPO whereas TA has negative effect on DIVPO. Result also shows that there is a statistical significant between dividend payout and Nonperforming loan and total accrual because the pvalues of 0.032 and 0.011 are less than 0.05 significance level which indicates that it is statistically significant. The coefficient of Gross earnings is insignificant because p-value of 0.114 is greater than 0.05 percent significant levels. The result obtained from the model indicate that the overall coefficient of determination R^2 shows that 76% of DIVPO is explained by the variables in the equation which is a good fit because its significance is above the bench mark of 50%. As adjusted (R^2) tends to purge the influence of the number of the included explanatory variables, the R^2 of 0.635 shows having removed the influence of the explanatory variables, the dependent variable is explained in the equation by 63.5%. The F-Statistic (F-ratio)shows the overall significance of the model and evaluates the goodness of fit model by testing its explanatory power of the model. The model is significant because the p- value of 0.028 is less than 5% level of significance. The Durbin Watson statistics of 2.082 shows that serial correlation is not a problem to the validity statistical inferences derivable from the regression result of the study. This finding agrees with the results of previous studies conducted by Osemene, Muritala and Olawale, (2014), Akenbor and Ibanichuka, (2012) and Chen, (2007).

4. Conclusion and Recommendation Conclusion

The findings of the study revealed that DIVPO has a significant and positive effect on bank performance while ROA and ROE have insignificant effect on performance of deposit money banks in Nigeria. Also, ROA is negatively associated with NPL, while TA and GE are positively associated with ROA indicating the possible existence of income increasing earnings management. Whereas the NPLs and GE are positively associated with ROE indicating that creative accounting exists in banks

when operational risk is high, ROE is negatively related to TA. The conclusion of this study is important to banks because if the value of the shareholders' equity goes down, ROE goes up. Thus, write-downs and share buybacks can artificially boost ROE of the banks. Likewise, a high level of debt can artificially boost ROE; after all, the more debt a bank has, the less shareholders' equity it has (as a percentage of total assets), and the higher its ROE is, likewise ROA. Investors may also calculate the change in ROE and ROA for a period by first using the shareholders' equity figure from the beginning of a period as a denominator to determine the beginning ROE. However, a bank with high gearing ratio (high leverage) is more vulnerable to downturns in the business cycle because the bank must continue to service its debt regardless of how bad NPLs are. The higher a bank's degree of leverage, the more the bank is considered risky.

Recommendation

Based on the findings of this study, it is recommended that the negative effects of creative accounting among deposit money banks should be minimized by adopting a more principles-based accounting standard (IFRS 9) that will give more importance to ethical considerations and decrease the flexibility of bank managers in deciding among different accounting methods. This is hoped to improve quality of banks financial statements as misstatements of financial reports will be drastically reduced.

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APPENDIX

NIGERIAN STOCK EXCHANGE FACT BOOK AUDITED FINANCIAL STATEMENT OF THE SELECTED BANKS FROM 2007 - 2016

FINANCIAL	NET PROFIT	TOTAL	NET	TOTAL	GROSS
YEAR	AFTER TAX	ASSETS	WORTH	ACCRUAL	EARNINGS
	(IN NAIRA)	(IN NAIRA)	(IN NAIRA)	(IN NAIRA)	(IN NAIRA)
2007	5, 682, 724	210, 527, 415	76, 558, 955	24, 595, 896	106, 375, 420
2008	8, 464, 018	383,444, 965	50, 293, 556	31, 529, 239	124, 322, 322
2009	13, 333,406	712, 298, 723	73, 516, 976	44, 653, 681	152, 367, 740
2010	28, 373, 855	1, 137, 628, 141	83, 015, 922	65, 919, 457	277, 368, 222
2011	44, 370, 692	2, 102, 295, 910	338, 422, 093	111, 406, 956	293,236, 855
2012	128, 037, 990	44, 370, 692	93, 537,776	32, 725, 523	224, 019, 605
2013	213, 130, 079	2, 436, 624, 984	226, 186, 381	112, 491, 740	298, 398, 740
2014	36, 030, 029	2, 810, 527, 055	149, 365, 741	129, 660, 394	191, 057, 892
2015	89, 325,574	2, 426, 759, 761	44, 370, 692	17, 660, 455	238, 165, 896
2016	568, 274, 000	44, 370, 692	128, 037, 990	43, 355, 640	228, 335, 966

Source: Nigerian Stock Exchange Fact Book, 2016

FINANCIAL YEAR	TOTAL LOANS	NON- PERFORMING LOANS
	(IN NAIRA)	(IN NAIRA)
2007	1, 796, 229, 885	141, 611, 852
2008	766, 860, 526	88, 612, 928
2009	159, 777, 447	16, 183, 353
2010	887, 034, 640	54, 111, 173
2011	868, 879, 740	100, 930, 514
2012	115, 892, 579	11, 461, 571
2013	1, 481, 420	177, 303
2014	377, 662, 370	42, 573, 403
2015	149, 064, 164	15, 487, 200
2016	887, 261, 516	84, 200, 695

Source: Nigerian Stock Exchange Fact Book, 2016