Creative Accounting Practices and Shareholders Wealth: Evidence from Deposit Money Banks in Nigeria

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Abstract
The study investigated the relationship between creative accounting practices and shareholder's wealth of deposit money banks (DMBs) in Nigeria within the period of 2008-2020. Its specific objectives were to investigate the relationship between the Income smoothing and return on equity, and Inventory manipulation and return on equity of DMBs in Nigeria. The cross-sectional survey research design was adopted for the study; the population of the study was all the 14 DMBs listed in Nigerian Exchange as at December 2021. Using purposive sampling technique, 5 deposit money banks were sampled and 74 respondents comprising accountants, auditors and compliance officers across the selected DMBs were used. 64 adequately completed and returned copies of questionnaire was used for the study analysis. Copies of questionnaire was used for data gathering. Univariate and Bivariate analysis was done. Regression analysis and model Statistics was used for data analysis and testing of hypothesis with the aid of SPSS. The result of the study shows that creative accounting dimensions of income smoothing and inventory manipulation have strong, positive and significant relationship with shareholder's wealth measured in terms of return on equity (ROE). The study concluded that creative accounting affects shareholder's wealth thus the need to checkmate the practice so that shareholders would actually know the true worth of their investment, not that which is coated that ends up giving them false hope in the long run. The study recommended that: Bank regulators should evaluate the adequacy of policies around inventory and assets valuation and at the same time, financial analysts and shareholders should note the application and consistency of accounting policies on inventory and assets. This way where inventory records have been manipulated can be discovered. There should be a review of the ownership structure of banks. There should be more dispersed ownership to include both management and investors. This way chances of creative accounting practice can be minimized.

Keywords: *Creative Accounting, Deposit Money Banks, Income Smoothing, Inventory Manipulation, Nigeria, Return on Equity, Shareholders Wealth*

1.INTRODUCTION

Maximizing shareholder value is achieved by increasing a stock's price over time and by increasing dividends (Hamel, 2022). Shareholders are the individuals, businesses, and institutions that have an ownership interest in a company after purchasing shares of that company's stock. Thus, shareholder wealth is the appropriate goal of a business firm in a capitalist society, whereby there is private ownership of goods and services by individuals. Those individuals own the means of production by the business to make money. The profits from the businesses in the economy accrue to the individuals, thus maximization of shareholder's wealth is usually a noble cause to pursue by the managers of the companies (Carlson & Jasperson, 2021). However, several practices are employed in other to achieve this wealth maximization objective and also present the business or company in a better position in their financial reports.

Creative accounting practices have been identified to include practices such as 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 (Aondoaka & Ekpe, 2018). Furthermore, 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. With this practices and motives, the question then is asked: 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 (Akenbor & Ibanichuka, 2012; Aondoaka & Ekpe, 2018).

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. 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. Most business organizations have always been connected with fraud and have always been affected by financial collapses. The list of 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, the one done by Godwin Emefiele, the current governor of CBN in July 2016 affecting skye bank Plc as well as that in recent times, December 2021 takeover of Union Bank by Titan Trust Bank, were all as a result of doctoring of accounts to cover up certain inadequacies or some unscrupulous deals perpetuated by the bank management (Ademolekun, 2022; Vanguard News, 2021). 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 & Ibanichuka, 2012).

There have been mixed results from available literature on the issue of creative accounting and its effect on the businesses especially it has to do with shareholder's wealth. Some argued that it has positive effects on the company (Carlson & Jasperson, 2021; Tassadaq, & Malik, 2015; Bhasin, 2015) among others. 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. Others have argued that the negative effects of creative accounting outweigh its positive, (Hamel, 2022; Andooaka & Ekpe, 2018; Sanusi & Izedonmi, 2016), hence the need to engage in more discussion on it and to create more awareness about it for shareholders and potential shareholders. This is the crux of the study.

Again, some studies in recent times have focused on creative accounting and performance of banks (Ezewore-Obodoekwe & Agbo, 2020; Okoye & James, 2020; Aondoaka & Ekpe, 2018), others on creative accounting and IFRS implementation in Nigeria (Adetoso & Ajiga, 2017; Yousif & Ismael, 2017)), thereby leaving our shareholders wealth, thus creating room for further studies especially studies towards creative accounting and shareholders' wealth, thus this study attempts to fill the gap by investigating the effect of creative accounting on shareholders wealth in the Nigerian financial sector.

1.1 Conceptual Framework

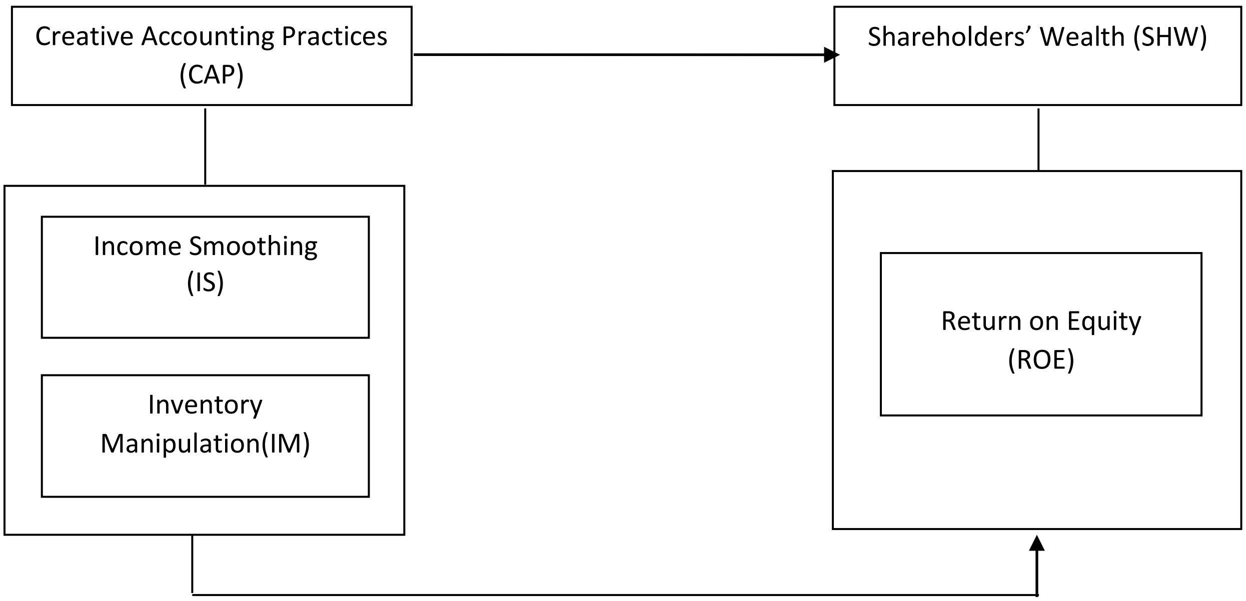

Fig 1.1 Conceptual framework for creative accounting Practices and shareholder's wealth of Deposit Money Banks in Nigeria

1.2 Aim and Objectives of the Study

The aim of this study is to investigate the effect of creative accounting practices on shareholder's wealth of Deposit Money Banks (DMBs) in Nigeria. The specific objectives are to:

i. examine the effect of income smoothing on return on equity of DMBs in Nigeria
ii. examine the effect of inventory manipulation on return on equity of DMBs in Nigeria

1.3 Research Questions

Based on the specific objectives, the following research questions are raised to include the following:

i. Does income smoothing have any effect on the Return on equity of DMBs in Nigeria?
ii. Does inventory manipulation have any effect on Return on equity of DMBs in Nigeria?

1.4 Research Hypotheses

In line with the objectives and research questions of this study, the following hypotheses stated in the null form were formulated and tested.

Ho_1: There is no significant relationship between income smoothing and return on equity of deposit money banks in Nigeria.

Ho_2: There is no significant relationship between inventory manipulation and return on equity of deposit money banks in Nigeria.

2. REVIEW OF RELATED LITERATURE

Conceptual Review

Creative Accounting

According to Ubogu, (2019), the term creative accounting was first used in 1968 in the film, the producers by Mel Brooks. In the business world, creative accounting also referred to as aggressive accounting, it is the manipulation of financial numbers, usually within the letter of the law and accounting standards but very much against their sprint and certainly not providing the "true and fair" view of a company. Creative accounting is also referred to by the slang phrase "cooking the books", implying that these practices require falsification and omission in the presentation of company's financial records. Creative authors have their views and definitions accounting and the concept is generally described as a purposeful intervention by management in the earnings determination process, usually to satisfy selfish objectives. Creative accounting refers to the use of accounting knowledge to influence reports, but remains within the accounting rules and laws, so instead of actual performance or the present position of the company, they reflect what management wants to show to the public. It is the art of presenting accounting information in a way that shows the positive sides and what management wants them to show interested parties, leaving aside the negative aspects of the company's through financial situation. It is as old as the accounting profession itself, although the accounting scholars have over the years carried out several researches to understand and address it, it is still considered as a problem, and it continues to be practiced by various corporations in the world (Kamau, et al., 2016).

Creative accounting is not illegal, but unethical since it doesn't meet the main objective of financial reporting – to present fair and objective picture of the business. The practice of creative accounting usually includes overstating assets, high stocks, decreasing expenses, changes of depreciation methods, or presenting provisions as an asset. Creative accounting techniques follow the changes of accounting standards, which are modified in order to reduce financial information manipulation. However, such changes in accounting standards often result in new opportunities for accounting manipulation. The subject of creative accounting normally portrayed in maligned and negative act. As the word "Creative Accounting" comes in any one's mind, the images are in the mind that of manipulation, dishonesty and deception. Study wishes to propose today that creative accounting is a tool which much likes a weapon, if it is used correctly it can give great benefit to user; but if it is mishandled or goes in the hand of wrong person, it can cause much harm. Creative accounting has helped more companies to get out of a crisis than land them into crisis. The weapon is almost innocent; the fault whenever it emerges lies with the user. The opportunities or potentials for creative accounting may be found in the following principal areas (Omesi & Ordu, 2021):

i) **Regulatory Flexibility**: The accounting rules often permit a choice between different accounting methods. The international accounting standard for example, allows a company to choose between a policy of writing off development expenditure as it occurs and amortizing it over the life of the related project. A company can therefore choose the accounting policy that gives a preferred image;

ii**) Management discretionary position**: Certain entries in the accounts involve an unavoidable degree of estimation, judgment, and prediction. In some, cases, such as the estimation of an asset's useful life made in order to calculate depreciation, these estimates are normally made inside the business and the creative accountant has the opportunity to err on the side of caution or optimism in making the estimate. In order for instance for managers to obtain the financial position and stability they assumed they can decide to increase or decrease provision for bad debts.

iii) **Artificial transactions** are often entered into both to manipulate balance sheet amounts and to move profits between accounting periods. This is achieved by entering into two or more related transactions with an obliging third party, normally a bank. For example, supposing an arrangement is made to sell an asset to a bank then lease that asset back for the rest of its useful life. The sale price under such a sale and leaseback can be pitched above or below the current value of the asset, because the difference can be compensated for by increased or reduced rentals.

iv) **Timing of Genuine transactions** offers to the management the opportunity to increase the revenues when the operating profit is not satisfactory and to create the desired impression in the accounts. The existing stock of a company that has a significant higher value compared to the historic value may be sold only when the operating profit is not satisfactory.

The real causes of creative accounting lie in the conflicts of interest among different interest groups. Managing shareholders' interest is to pay less tax and dividends. Investor shareholders are interested to get more dividends and capital gains. The tax authorities also are ready to collect their regular taxes. Managers and directors want to be seen as effective directors, employees on the other hand wants a better salary and higher profit share. Creative accounting puts one group or two to advantageous position at the expense of others. Omesi and Ordu (2021) documented that many chief accountants of firms in an attempt to retain profit for the expansion of their existing unit and establishment of new ones engage in creative accounting. Consequently, David Schiff warns investors generally that taking a company's financial statements at face value can be "a recipe for disaster".

Jim Kennan, the Attorney General of Victoria, in a speech before members of the Australian society of accountants, stressed that financial statements, which inflate the performances of companies by manipulating figures (i.e., through creative accounting) should be stamped out as it puts the investor to great difficulties to distinguish between the paper entrepreneur and the truly successful entrepreneur. The message from his statement may now be stated to focus on the obvious effects of creative accounting:

a) There are companies listed on the stock exchange which show inflated profit and better financial position in their creative accounting statements to attract investors; this creation of accounts just misguides and creates confusion
b) Some company prospectuses may not always depict the reality of the financial positions of the listed companies.
c) Processes adopted for created accounting statements may hold out untrue hopes to investors for a shorter period but cannot continue to succeed for a longer period.
d) Ultimately, the concerned companies listed in the stock exchange collapse and the investors' loose confidence in them and stock market (Omesi & Ordu, 2021).

Income Smoothing:

Income smoothing is the act of using accounting methods to level out fluctuations in net income from different reporting periods. The process of income smoothing involves moving revenues and expenses from one accounting period to another. Though an income smoothing practice being used by a company may be legal, it may not be ethical (Hamel, 2022). In a nutshell, income smoothing cannot be out rightly classified as an illegal or unethical act, only that some persons resort to using ill means to achieving the same goal. The intention of income smoothing is to smooth the income figures. This is because the firm wants to maintain the firm's profile on income predictions, profitability, returns and growth to avoid unnecessary divestments and market reactions (Ubogu, 2019). The process will involve either preparers compromising their conservatism in exercising their measuring and reporting obligations, or auditors in relaxing their audit conservatism, or both parties working in tandem to compromise their responsibilities for the firms' long term growth and survival (Carlson & Jasperson, 2021). Preparers also need to constantly exercise conservatism in preparing financial statements by complying with the underlying accounting policies and principles.

Income smoothing is defined as a form of earnings management and is defined as the dampening of fluctuations in reported earnings over time. In other words, management is inclined to take actions to increase earnings when earnings are relatively low and to decrease earnings when earnings are relatively high. Getting creative with the Income Statement includes the practice of communicating a different level of earning power using the format of the income statement rather than through the manner in which transactions are recorded. For example, companies may report a nonrecurring gain as other revenue, a recurring revenue caption, or a recurring expense might be labeled as non-recurring. This will result in higher apparent levels of recurring earnings without altering total net income. Chen et al. (2019) submitted that income smoothing is a subset of earnings management, since the latter is an intentional intervention to have what is intended and not the true resemblance of operational activities, while income smoothing tries to even out income by the managers with the intention of showcasing fewer risks and the volatility of earnings over a period (Luo, 2017; Sheng & Liu, 2020.)

Inventory Manipulation

Dishonest organizations usually use a combination of several methods to manipulate inventory: fictitious inventory, manipulation of inventory counts, non-recording of purchases and fraudulent inventory capitalization. All these elaborate schemes have the same goal of illegally boosting inventory values. Inventory manipulation in accounting is defined as a situation where the managers of an organization intentionally misstate their financial information to favorably represent the entity's financial performance (Bankole et al., 2018). Inventory can be manipulated by adjusting the price of goods in the company's accounting system for a variety of reasons other than to boost earnings. For instance, a common reason to inflate the value of inventory is to obtain higher finance from banks using the inventory as a security or to cover inventory shortages. Firms may engage in inventory manipulation by either manipulating the quantity of the inventory or by valuing it (Omesi & Ordu, 2021).

Inventory manipulation also thrives when firm has failed in their inventory management system. Inventory management refers to the method of controlling and overseeing the ordering, use, and storage of components which the company applies in the production of the goods it sells. Also, it is the practice of controlling and overseeing of quantities of the finished goods for sale. According to Dury (2015), Inventory management refers to the method of controlling and overseeing the ordering, use, and storage of components which the corporation applies in the production of the goods it sells. On the other hand, inventory managing system combines the application of barcode scanners, desktop software, mobile devices, and barcode printers to streamline the inventory management such as consumables, goods, stock, and supplies (Drury, 2015). Also, it is the practice of controlling and overseeing of quantities of the finished goods for sale. The objective of inventory management is to accurately understand present inventory levels and minimize overstock and understock situations. Through efficient tracking of quantities across the stocking location, managers will have insight and be capable of making sufficient inventory decisions. The inventory of a business is one of its key assets and accounts of the investment which is tied up to the products sells (Research Prospects, 2018).

In years when profits need to be increased the quantity can be manipulated by doing a particularly rigorous stock take. Provisions for absolute and slow-moving inventory and changing the actual method of inventory valuation are the practices of manipulating inventory values. Managers of nonprofits organizations may have incentives to manipulate their reported program-spending ratios because donors use them in determining contribution decisions. It represents the use of management's discretion to make accounting choices or to design transactions so as to affect the possibilities of wealth transfer between the company and society (political costs), funds providers (cost of capital) or managers (compensation plans). In the first two cases, the firm benefits from the wealth transfer. In the third, managers are acting against the firm. The accounts manipulation has a direct influence in modification of the apparent performance (as measured, for example, by the earnings per share) and/or a modification of the company's financial structure (Ubogu, 2019). Financial statements which inflate the performances of companies by manipulating figures (that is, through creative accounting) should be stamped out as it puts the investor and other users of accounting information to great difficulties to distinguish between the paper entrepreneur and the truly successful entrepreneur. As noted by Abed et al. (2022), creative accounting can be amply used on inventory since there is immense subjectivity. A deliberate error in reporting current inventory can lead to changes in assets; it is referred to as a result of "polishing". This indicates that the difference (positive or negative) in inventory reporting affects the present and future accounting periods' results. If finance costs are accounted for in production costs, financial outcomes differ because expenses are already accounted (Lucchese & Di Carlo, 2020). On the contrary, if the projected outcomes are adverse, the same method is used differently; interest expenses are accounted for in production costs (Li et al., 2017).

Concept of Shareholders' Wealth

Maximizing shareholders‟ wealth has always been a focus for all companies as a precedence among other corporate issues like corporate social responsibilities. According to Adaramola and Oyerinde (2014), shareholder wealth as the projected future earnings to the firm owners calculated in their present value. These projected future earnings are usually in the form of dividends distributed periodically and proceeds from the trading of share. They also highlighted that dividends are paid to ordinary shareholders out of corporate profits. In their study carried out on listed companies in Nigeria, it revealed that changes in dividend payment could be used to predict share price movement which consequently affects shareholder's wealth. However, share prices are dependent on stability and growth of the economy.

Recent corporate scandals have been attributed to managers‟ over-emphasis on short-term EPS performance. EPS growth is determined by incomes retained in reserves, loan liabilities, operating leverage and financial leverage. It succor decisions on valuation of share, incentive schemes based on performance of managers and negotiations regarding mergers and acquisitions. Big share price movements are driven by short-term earnings in response to earnings surprises, an objection to the perception of long-term cash flow expectations driving the share price changes. Mpinda (2013) emphasized how important it is for a firm to maximize shareholders' wealth by establishing an optimal dividend pay-out policy. On the other hand, Iredele et al. (2022) highlighted that investors who have a long-term perspective in their investment are the ones who believe that a dividend should only be paid if the company has no value-enhancing capital projects to invest in.

Return on Equity (ROE)

The wealth of the shareholders of a firm is a reflection of the level of Return on Equity (ROE) and Earnings per Share (EPS) of that firm. Return on Equity shows the relationship between net profit after tax and net equity, that is, the capital plus all retentions and reserves. ROE indicates how well the firm has used the resources of shareholders. This ratio is one of the most important relationships in financial analysis. The earning of a satisfactory return implies the maximization of shareholder's wealth. This is the most desirable objective of a business. This ratio reflects the extent to which this objective has been accomplished. Thus, this ratio is of great interest to the actual and potential share-holders and also of great concern to management, which has the responsibility of maximizing the shareholders' wealth. A firm can convert its ROA into an impressive ROE through financial efficiency. Financial leverage and debt-equity ratios affect ROE and reflect efficiency. ROE is thus a product of ROA (reflecting operating efficiency) and financial leverage ratios (reflecting financial efficiency). Return on equity (ROE) can be defined as the amount of net income returned as a percentage of shareholders' equity. It is one of the all-time favorites and perhaps most widely used overall measure of corporate financial performance. It is a strong measure of how well the management of a firm creates value for its shareholders (Ezewore – Obodoekwe & Agbo, 2020).

ROE is popular among investors because it links the income statement (net profit or loss) to the balance sheet (shareholders' equity). The fact that ROE represents the end result of structured financial ratio analysis, called Du Pont analysis, also contributes towards its popularity among analysts, financial managers, and shareholders alike. On the other hand, ROE could be a misleading measure of corporate financial performance. First, earnings can be manipulated within the legal framework via changes in accounting policy. Second, ROE increases with more financial leverage, an increase in leverage beyond a certain level may translate into an increase into the firm's systematic risk or beta. Third, ROE is also susceptible to inflation; inflation had a negative relationship with the profit margin which will, in turn, reduce ROE and expected growth. ROE is expressed as a percentage and can be calculated for any company if net income and equity are both positive numbers. Net income is calculated before dividends paid to common shareholders and after dividends to preferred shareholders and interest to lenders. Return on equity is measured by dividing the net profit after tax by the total equity of the bank. This is aimed to examine how productive the banks' equity has been used to generate wealth.

Relationship between creative accounting practices and shareholders' wealth

Several arguments have emerged on the relationship between creative accounting practices and shareholders' wealth. It is argued that the act of income smoothing and earnings management negates the originality of factual accounting information and has become increasingly pervasive (Lim, et al., 2017); It impedes credibility of financial statements (Klepáč & Hampel, 2016) negative impact on stock price as results has a negative effect on investors (Kovalova & Michalikova, 2020); it affects factual income recognition and devalues investment decisions (La Rosa, et al., 2020) has the potential risk of loss of corporate reputation and could lead to undesirable and unnecessary future litigations (Lin, et al., 2020) leads to loss of confidence (Liu, 2020); and it is an unethical resourceful tool of corporate deceit and misleading of the public, investors, shareholders, and other interested stakeholders. Consequent to a distasteful, and deceitful concealment nature of income smoothing, this study is aware of possible effects, and financial scandals, the magnitude of these effects remain unknown, hence need for further investigation and extending the frontiers in literature on the credibility of accounting information. In this new era, the world is on the fast lane of data-driven business activities that are in dire need of credibility of accounting information. Undoubtedly, there is a vast creditability gap, unethical inconsistencies, material misstatement and the disparity of the expected and available accounting information. A study by Adaramola and Oyrinde (2014) observed that movement in a company's earnings has a direct impact on movement in share prices. Similarly, financial accounting information relating to cash-flows has a positive effect on share prices and this consequently affects shareholders' wealth. In Bankole et al. (2018), management has been brought under pressure to deliver acceptable earnings per share performance because of the quarterly earnings report.

Theoretical Framework

Agency Theory

Agency theory originated from the work of Berle and Means (1932). They explored the concept of agency and the applications toward the development of large corporations. They found out how the interest of the directors and managers differ from the owners of the firm, thereby using the concepts of agency- principal to explain the genesis of those conflicts. Jensen and Meckling (1976), furthered on the work of Berle and Means (1932) developed agency theory as a formal concept. They also formed a school of thought arguing that corporations are structured to minimize the costs of getting agents (agency costs), to follow the direction and interests of the principals.

The theory essentially acknowledges that different parties involved in a given situation with same given goal will have different motivations, and these differences can manifest in diverse ways. This means that there will always be partial goal conflict among parties, because efficiency is inseparable from effectiveness, and thus information will always be somewhat asymmetric between principal and agent. Agency theory is therefore concerned with contractual relationship between two or more persons called the agent(s) to perform some services on behalf of the principal. Both the agents and the principal are presumed to have entered into mutual agreement or contract motivated solely by self-interest. The principal delegates decision-making responsibility to the agents. It is a concept that explains why behaviour or decisions vary when exhibited by members of a group. Specifically, it describes the relationship between one party called the principal who delegates work to another called the agent. It explains their differences in behaviour or decisions by noting the two parties often have different goals and are independent of their respective goals and they have different attitudes toward risk. Invariably, the agents' decision and choices are assumed to have effect on both parties. These relationships, according to Bromwich (1992), are perceived in economic and business life and also generate more problems of contracting between entities in the economy.

Application of agency theory on creative accounting shows that the informational perspective is a key element underpinning the study of the 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 stakeholder (Shipper, 2009). However, the accountant or auditor (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, accountants or auditors 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 accountant (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 standard. 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. Accountants instead of rendering the accounts of their stewardship with a true and fair view rather conjoin with the boss to manipulate accounting figures

Review of Empirical Literature

Okoye and James (2020) study on impact of Creative Accounting Techniques on Firm Financial Performance: A Study of Selected Firms in Nigeria, empirically examined the impact of creative accounting techniques on firm financial performance. Creative accounting was measured by asset structure (Using Cookie Jar Reserves), capital structure (Creative Acquisition Accounting), deposit liabilities (Manipulating Inventory), loan structure (Abuse of Materiality Concept). Exposit facto research design was adopted. Data were collected from Nigeria Security and Exchange Commission on listed deposit money banks in Nigeria from 2008-2018. Descriptive analysis and ordinary least square were adopted for analysis. Findings from the analysis revealed asset structure and equity capital are negatively and insignificantly related to return on asset; Loans and advances is positively and insignificantly related to its returns on assets while Total deposit liabilities is positively and insignificantly related to return on assets. However, it can be concluded that banks asset structure and management in Nigeria has been poor and their assets have not been effectively used to enhance their profitability. Based on the findings, the study that there is need to employ statutory auditor in reducing the effect of creative accounting techniques on the reliability of financial reporting. Again active corporate governance principles can be used to control the practices of creative accounting by using independent non-executive directors.

Ubogu (2019) investigated the effect of creative accounting on shareholders' wealth in business organization: a case study of selected banks in Delta State. The findings revealed a positive and significant relationship between creative accounting and decision making of an organization. The study submitted that creative accounting affects shareholders' wealth and their various investments decisions because it has a great impact on the share prices of the business organization. The study suggested that only well and legally audited financial statements should be relied on by shareholders in making important decision.

Remenarić, et al. (2019) studied creative accounting – motives, techniques and possibilities of prevention. The study argued that it was very important to adopt measures that will prevent the abuse of creative accounting practices. The aim of the paper was to present the main motives for financial information manipulation, as well as the most common techniques, and finally the measures that have to be taken in order to minimize creative accounting practices.

Bankole, et al. (2018) studied creative accounting practices and shareholders‟ wealth. This study was designed to establish the effect of creative accounting on shareholders' wealth. Inventory valuation, depreciation policy and debtors ageing schedule were used as proxies for creative accounting. The study reviewed the theories and techniques of creative accounting as well as the determinants of shareholders' wealth. Empirical studies on creative accounting were reviewed. The study found that frequent changes in inventory valuation and in depreciation policy affect shareholders' wealth. It found that frequent manipulation of ageing schedule for the purpose of determining bad and doubtful debts provision had no significant effects on shareholders' wealth. The study recommended stricter monitoring of entities to ensure full disclosures of changes in accounting policies with a view to guarding against immoral behaviors.

3. METHODOLOGY

The study adopted the cross-sectional survey research design. The population of the study was all the 14 deposit money banks (DMBs) listed in Nigeria as at December 2021. Using purposive sampling technique, 5 deposit money banks were sampled and 74 respondents comprising accountants, auditors and compliance officers across the selected banks were used. 64 adequately completed and returned copies of questionnaire was used for the study analysis. Primary data was used for the study. Copies of questionnaire was used for data gathering. The use of expert validity was adopted for validating the research instrument, while Cronbach Alpha test of reliability was used for determination of reliability of the instruments. Univariate and Bivariate analysis were done. Regression analysis and model Statistics was used for data analysis and testing of hypothesis with the aid of SPSS.

Model Specification

SHW = f (CAP)

ROE $= b_0+b_1(IS)+b_2(IM) +e$

Where $bo_1-b_2 =$ are coefficient of regression parameters

e = error term.

4. RESULTS AND ANALYSIS

Descriptive Analysis

Creative Accounting Practices

The analysis of Creative Accounting practice showed the extent by which respondents agreed that creative accounting affects shareholder's wealth. The core dimensions of income smoothing (IS), and inventory manipulation (IM) showed that respondents considered them important techniques that affects shareholder's wealth in the selected deposit money banks.

Table 4.1: Descriptive statistics

	N	Sum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
IS	64	209.000	3.26563	.707380	-.856	.299	.503	.590
IM	64	230.400	3.60000	.463253	-.388	.299	-1.786	.590
ROE	64	228.600	3.57188	.507552	-.583	.299	-1.215	.590
Valid N (listwise)	64							

Source (SPSS output of data, 2022)

From the descriptive statistics table above, Income smoothing has the highest variation amongst the independent variables with a standard deviation of 0. 707380 while Inventory manipulation is the least with a standard variation of 0. 463253. However, all the variables have mean score that is greater than 3, indicating that there are evenly distributed

Test of Hypotheses

Hypothesis one

Ho₁: There is no significant relationship between income smoothing and return on equity of selected deposit money banks in Nigeria.

Table 4.2: Regression Result for Hypothesis One

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.858[a]	.735	.731	.263138	.735	172.387	1	62	.000

a. Predictors: (Constant), IS

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.936	1	11.936	172.387	.000[b]
	Residual	4.293	62	.069		
	Total	16.229	63			

a. Dependent Variable: ROE

b. Predictors: (Constant), IS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.562	.157		9.981	.000
	IS	.615	.047	.858	13.130	.000

a. Dependent Variable: ROE

Source: (SPSS output of Data, 2022)

Decision Since for hypothesis Three, the significance 0.000 is less than 0.05, there is a significant effect of income smoothing on return on equity. The regression helps us to conclude with the R (coefficient of correlations) that there is 85.8% direct relationship between Income smoothing and return on equity. R – Squared value of 73.5% shows that income smoothing can affect return on asset on a high level. The ANOVA Table explains the fitness of the model as shown by the F-ratio in the model is 172.387, which is significant at $p < 0.05$. This implies that there is significant evidence to extrapolate that income smoothing is linearly related to return on equity. This proposes that the model is measured to be fit and that Income smoothing has influence on return on equity and that Income smoothing has a significant relationship with return on equity of selected deposit money banks in Nigeria. There is also a standardized coefficient of .858 which is positive as well as corresponding P value (sig.) of .000 which is less than alpha (0.05). Therefore, we conclude that Income smoothing significantly influences return on equity and that Income smoothing has a significant relationship with return on equity of selected deposit money banks in Nigeria.

Hypothesis Two

Ho_2: There is no significant relationship between inventory manipulation and return on equity of selected deposit money banks in Nigeria.

Table 4.3: Regression Result for Hypothesis Six

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.975[a]	.950	.949	.114072	.950	1185.220	1	62	.000

a. Predictors: (Constant), IM

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.423	1	15.423	1185.220	.000[b]
	Residual	.807	62	.013		
	Total	16.229	63			

a. Dependent Variable: ROE

b. Predictors: (Constant), IM

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	-.273	.113		-2.426	.018
	IM	1.068	.031	.975	34.427	.000

a. Dependent Variable: ROE

Source: (SPSS output of Data, 2022)

Decision Since for hypothesis Six, the significance 0.000 is less than 0.05, there is a significant effect of inventory manipulation on return on equity. The regression helps us to conclude with the R (coefficient of correlations) that there is 97.5% direct relationship between Inventory manipulation and return on equity. R – Squared value of 95.0% shows that inventory manipulation can affect return on asset on a high level. The ANOVA Table explains the fitness of the model as shown by the F-ratio in the model is 1185.220, which is significant at $p < 0.05$. This implies that there is significant evidence to extrapolate that inventory manipulation is linearly related to return on equity. This proposes that the model is measured to be fit and that Inventory manipulation has influence on return on equity and that Inventory manipulation has a significant relationship with return on equity of selected deposit money banks in Nigeria. There is also a standardized coefficient of .975 which is positive as well as corresponding P value (sig.) of .000 which is less than alpha (0.05). Therefore, we conclude that Inventory manipulation significantly influences return on equity and that Inventory manipulation has a significant relationship with return on equity of selected deposit money banks in Nigeria.

Model Testing and Result

Table 4.4 Model Summary for Study Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.987[a]	.975	.974	.082268	.975	779.311	3	60	.000	1.910

a. Predictors: (Constant), IS, IM

b. Dependent Variable: ROE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.823	3	5.274	779.311	.000[b]
	Residual	.406	60	.007		
	Total	16.229	63			

a. Dependent Variable: ROE

b. Predictors: (Constant), IS, IM

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.063	.086		-.724	.472
	IS	-.015	.043	-.021	-.354	.724
	IM	.431	.103	.393	4.174	.000

a. Dependent Variable: ROE

Source: SPSS output of data, 2022

Three models were tested indicating the predictor besides constant to determine the dependent variable that arrange entry requirement in the finishing equation (IS, IM, ROE). Multiple correlation coefficient measures the degree of relationship between the actual values and predicted values. Predicted values are obtained as a linear combination of X1 (IS), X2 (IM). R2 represents percentage of the variance in the dependent variable. Table 4.4 shows that 97.5% of the variation (model) in Return on Equity is explained by Income smoothing, and Inventory manipulation respectively. The Durbin Watson statistics 1.910 is within the acceptable range, indicating that there is no auto correlation issue associated with the variables.

Test of Model Utility

The serviceability of the overall regression statistics was tested prior to the testing of the individual hypotheses for their levels of significance. The fitness of the model can be explained by F-ratio of 779.311 in table 4.4. This implies that there is significant evidence to extrapolate that Creative Accounting practice is linearly related to shareholder's wealth. The study concludes that; the regression model is useful to the extent that the predictor variables significantly predict the behaviour of the metrics of dependent variable investigated. The implication is that at least one of the independent variables has none zero coefficient. This proposes that the model is measured to be fit and that creative accounting practice has substantial influence on shareholder's wealth.

Summary and Discussion of findings

In summary it is discovered that Income smoothing has a strong, positive and significant relationship with Return on Equity of DMBs while Inventory manipulation has a very strong, positive and significant relationship with Return on equity of selected DMBs in Nigeria.

The relationship between Income Smoothing and Return on Equity

With hypothesis one which tested the relationship between Income smoothing and return on equity, based on the P-values (Income Smoothing and ROE) is 0.000 which is much lower than the stated 0.05, the null was not accepted, the alternate accepted. Thus Income smoothing has a significant relationship with return on equity. This implies that when companies generally prefer reporting a steady profit growth trend to violate profit state either through making undue high provisions for liabilities and against asset values in good years so that these provisions can be reduced, thereby improving reported profits in bad years, they are likely to have increase in return on equity. The Adjusted R-squared of .731 suggests that approximately 73% of the total variation in return on equity is explained by the influence of the regressions, while the remaining 27% percentage is accounted for by factors outside the model. The coefficients of .858, has positive influence on Return on Equity. The implication of this that a 1% rise in Income Smoothing would result in a .858 percent increase in return on equity of the selected deposit money banks in Nigeria. The finding here is also in agreement with the study of Aondooaka and Ekpe (2018) and Afianti et al. (2017).

The Relationship between Inventory Manipulation and Return on Equity

Similar situation applies with hypothesis two. Research hypothesis two says there is no significant relationship between inventory manipulation and return on equity of selected deposit money banks in Nigeria. However, based on the P-values (IM & ROE) is 0.000 which is less than 0.05, thus the null was rejected and alternate accepted thus inventory manipulation has a significant relationship with return on equity of the selected deposit money banks studied. In addition, the F-statistic is associated with a probability of 0.000, indicating that the fitted pooled regression model for return on equity is statistically significant. In addition, the Adjusted R-squared of 0.949 shows that 94.9% of the variation in return on equity is explained by the influence of the regression (i.e. IM). Thus, the fitted return on equity model is explained; with a coefficient of (.975) it signifies that a 1% rise in Income manipulation would result in a 0.975 percent increase in return on equity of the selected deposit money banks. The implication of this result is that where the managers of banks intentionally misstate their financial information to favorably represent the entity's financial performance is in practice, ratio of profit after tax divided by shareholder's equity for firm will increase and vice versa. This result here also agrees with the works of (Siyanbola et al., 2020; Bankole et al., 2018) amongst others.

5. CONCLUSION AND RECOMMENDATIONS

From the results obtained it is concluded that that creative accounting affects shareholder's wealth especially those that are of the deposit money banks in Nigeria. It implies that banks as well as other companies could use the creative accounting techniques to remain afloat. This is in line with the assertion of Fizza and Malik (2015) that companies showed profits or minimized losses by change of depreciation when demand and production was low. This kept investors reasonably comforted and staff relaxed by paying out dividends out of the profits. Furthermore, Shareholders' wealth was increased as per the reported profits. Even when demand and production increased they did not change the accounting policy. Creative accounting practices have only short term benefits and at the end results in scandals. The study therefore recommends that:

i. Bank regulators should evaluate the adequacy of policies around inventory and assets valuation and at the same time, financial analysts and shareholders should note the application and consistency of accounting policies on inventory and assets. This way where inventory records have been manipulated can be discovered
ii. There should be a review of the ownership structure of banks. There should be more dispersed ownership to include both management and investors. This way chances of creative accounting practice can be minimized.

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