DETERMINANTS OF EARNING MANAGEMENT IN THE PUBLIC SECTOR IN NIGERIA: A STRUCTURED LITERATURE REVIEW

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ABSTRACT

The practice of earnings management has called for increased attention, yet, factors affecting earnings management in Nigeria's public sector remain ambiguous. Consequently, this paper focused on reviewing existing literature on determinants of earnings management from Nigerian oil and gas enterprises; deposit money banks in Nigeria; Nigerian manufacturing firms; corporate organization; nonfinancial companies; firms listed on Nigeria's stock exchange; as well as studies from other countries, to identify the determinants of earnings management. Structured Literature Review methodology was used in the selection of eligible articles that meet the study's objectives. The search was based on the following keywords: "earnings management" or "creative accounting" or "accounting manipulation" or "financial performance adjustments "or "financial reporting quality" or "accruals quality" or "opportunistic financial reporting" or "surplus-deficit-management" and "public sector" or "government. The study relied on 8 articles on determinants of earnings management published from 2012 to 2023. These variables were identified as determinants of earnings management: board attributes, tax aggressiveness, quoted share price and return on assets, institutional ownership, return on shareholders' fund, return on capital employed, net profit after tax and return on assets, corporate strategy, director's shareholdings, quoted share price, IFRS and political connections, probability of bankruptcy, profitability, non-debt tax shield, operating cash flows, stock returns, firm size and growth, firm performance. The study recommends that users of the financial statement should not to be careless when it comes to methods employed to falsify earnings reported in the financial statement. The study also suggests that future research should aim to include more businesses in the sample, as well as financial enterprises.
Keywords: Earnings management, financial statement, public sector, structured literature review

INTRODUCTION

Earnings management uses acceptable accounting rules and procedures, as well as evading business practices, to achieve desired ends. It is a form of financial report designed by management to obtain private gain of some kind. There are two basic motives: opportunistic and efficient motives. Opportunistic motives imply that managers use their decisions to maximize personal gains. In efficient motives, managers window-dress a financial report so as to signal information to the users of the report (Cudia & Dela Cruz, 2018). The implication of both motives is that management do not present the firm’s true economic position (Emudainohwo, 2020). Rather, they mislead stakeholders, as well as prospective investors, by signaling false information about the firm’s performance (Beaver, 2002).

Earnings management does not occur in a vacuum. Any nation's interested parties in creative accounting include management of businesses, auditors, regulators, shareholders, and investment analysts (Utusanya & Uadiale, 2014). There is a dearth of study using real data to examine effects of both internal and external factors on profits management in the Nigerian public sector, despite the wealth of literature on factors influencing earnings management in enterprises. Despite the fact that there are recorded cases of financial misconduct within Nigeria’s public sector, there is a dearth of research on factors influencing earnings management in this specific area. Most inquiries on factors influencing earnings management are foreign, and do not provide sufficient help to local stakeholders.

More generally, the growing interest in earnings management in the public sector can be observed at both a micro- and macro-level perspective. At a micro-level perspective, sub-national governments or entities operating within national governments may be asked to achieve specific goals. Understanding how government officials exercise discretion over financial reporting is then considered essential for citizens, regulators and researchers to interpret and monitor financial performance (Beck, 2018).

Although the bottom line is not considered as important as in the private sector, especially at a local government level, significant surpluses might be interpreted as a sign of excessive taxes, while deficits might be considered indications of poor financial management that could attract criticism from political opponents (Cohen et al., 2019; Donatella, 2020). Indeed, substantial economic and political consequences can derive from failing to achieve targets (Greenwood et al., 2017; Hodges, 2018), including those defined by supervising authorities. At a macro-level perspective, earnings management can be due to governments’ need to comply with specific rules and achieve predefined objectives, such as those defined by international organizations (e.g. the World Bank, International Monetary Fund, European Union, etc.).

The growing interest in among stakeholders to examine the practice of earnings manoeuvre is fuelled by current global trend of corporate failures that have bedeviled large organisation such as Health South, Global Crossing, Parmalat, Hollinger, Adecco, TV Azteca, Enron, Worldcom and Tyco (Uwuigbe, 2013). This phenomenon has led to heated debate among regulators, accounting practitioners, financial analyst and researchers to find a solution to unprecedented corporate failures. This is particularly the case in most developing economies were in spite of various governance structures and frameworks established by most countries, cases of corporate malpractices still remain prevalent. This is also the case in Nigeria where despite the publication of a new corporate governance code in 2003 and 2011; cases of misappropriation of fund and falsification of reports to suit management interest has continued unabatedly. Hence, this theoretical review adds to the body of existing knowledge by assessing determinants of earnings management in Nigeria.

This work attempts to present an updated picture of the state of knowledge through a structured literature review (SLR). Thoroughly reviewing literature can improve understanding of opportunities and incentives associated with earnings management and provide guidance for practice and policy. Through the mapping of earnings management’s evolution in the public sector, the identification of under-researched issues and topics, and the investigation of strengths and weaknesses, an SLR methodology facilitates the development of insights, critical reflection, and future research paths (Massaro, Maurizio, John Dumay, and James Guthrie. 2016). In line with previous research that employed an SLR approach and using a backdrop critical management framework, the objective of this study is to respond to the following research questions (RQs):

Q1. What are the identifiable determinants of earnings management in Nigeria?

Q2. What does the public sector's earnings management research hold for the future?

This is how the rest of the article is organized. The SLR methodology is explained in Section 2. Section 3 shows how EM research has developed in the public sector (i.e., to answer RQ1). While Section 4 offers a critical study of the focus and critique of EM literature, the future direction of EM research in the public sector (i.e., to address RQ3) is covered in Section 5, and the article's limits are discussed in Section 6.

METHODOLOGY

A "literature review continuum" ranges from a quick review with few rules to a SLR with precise standards that must be followed (Massaro et al., 2016). This SLR goes above and beyond by offering a transparent research methodology for evaluating and categorizing each study included in the review as well as suggesting future research paths. On the one hand, a quick review seeks to synthesize and analyze findings that have arisen from earlier studies. The next sections detail the further processes needed to construct the data set and analytical framework, starting with the research questions mentioned in the preceding part.

Literature search

The first step in the SLR methodology is the selection of eligible articles to meet the study's research objective. This search was based on the following keywords: "earnings management" OR "creative accounting" OR "accounting manipulation" OR "financial performance adjustments" OR "financial reporting quality" OR "accruals quality" OR "opportunistic financial reporting" OR "surplus-deficit-management" AND "public sector" OR "government" The search was carried out by referring to abstract, title and keywords (Bisogno, 2018).

Earnings management is a management effort made through an external financial reporting process in order to gain personal gain (Soon, 2011). Fisher and Rosenzweig (1995) state that earnings management is the action of managers to increase or decrease the profit of the current period of a unit under its responsibility without causing the increase or decrease of long-term economic benefits of the unit.

Published journals were utilized in this review. One of the filters used to limit the search for relevant articles year under review 2012 -2022; this period was selected so as to include both recent and old articles, also considering that earnings management is quite a recent topic in the public-sector context. Second, the search was not restricted to the "accounting" domain, but also extended to related domains (such as economics, business, finance and public administration).

According to the SLR methodology (Bisogno et al., 2018; Santis et al., 2018; Manes-Rossi et al., 2020), the second step consists assessing the relevance of selected articles (Petticrew & Roberts, 2008). Each article was scrutinized; its title, abstract and, whenever necessary, contents were carefully examined. The following criteria were used to select relevant articles:

1) The focus of the contributions had to be on earnings management in the public sector. However, contributions investigating state-owned enterprises (and, more generally, firms controlled by public-sector organizations) were included.

2) Articles regarding determinants of earnings management were scrutinized (e.g. articles investigating financial reporting quality in general terms, without examining EM behavior), were excluded.

With respect to the above criteria, 8 articles were selected to identify determinants of earnings management peculiar to Nigeria and the Nigeria public-sector context in depth.

Framework for analysis and coding process

Using Bisogno's (2021) framework, this step of the analysis consists developing the analytical framework to codify and classify each article. To this end, previous SLRs (Guthrie et al., 2012; Dumay et al., 2016; Bisogno et al., 2018; Santis et al., 2018; Bracci et al., 2019; Manes-Rossi et al., 2020) were used as a reference, even though several changes were needed to maintain consistency with the aim of this study. The following nine categories were identified: (A) focus of the literature; (A1) Classification of articles, (B) Determinants of EM as identified in the journals under review (B1) Determinants of EM (C) theoretical frameworks (D) Summary and Recommendation (E) Strategies for future research.

Table 1. Classification of articles by journals

S/N	Reference	Article
1	Osuagwu and Gimba. (2023)	Effect of Board Attributes on Earnings Management of Listed Deposit Money Banks in Nigeria
2	Onoyenure and Ebiaghan (2023)	An Assessment of Determinants of Earnings Management In Nigeria
3	Mordi and Ebiaghan (2022)	Earning Management, Firm Size and Institutional Ownership: Evidence From Nigerian Manufacturing Firms
4	Okafor et al. (2018)	Effect of Earnings Management on Performance Of Corporate Organization In Nigeria.
5	Uwalomwa et al.(2015)	Assessment of the Effects of Firms' Characteristics on Earnings Management of Listed Firms in Nigeria
6	Oshodin and Ogieva (2022)	Determinants of Earnings Management in Firms Listed at the Nigerian Stock Exchange
7	Ochuko (2021)	Determinants Of Earnings Management: The Study Of Nigerian Nonfinancial Companies
8	Zhang and Abraham (2020)	Earnings Management and Corporate Performance: An Empirical Evidence from Ghana

Eight articles are included in both Tables. Notably, the articles have investigated earnings management in firms regulated by state-owned agencies, collecting citations from both private- and public-sector studies.

Determinants of Earnings Management as Identified

S/N	Reference	Article	Determinants of Earnings Management
	Osuagwu and Gimba. (2023)	Effect of Board Attributes on Earnings Management of Listed Deposit Money Banks in Nigeria	Board Attributes
2	Onoyenure and Ebiaghan (2023)	An Assessment of The Determinants of Earnings Management In Nigeria	Tax aggressiveness, Quoted share price and Return on Assets
3	Mordi and Ebiaghan (2022)	Earning Management, Firm Size and Institutional Ownership: Evidence From Nigerian Manufacturing Firms	Firm size and institutional ownership
4	Okafor et al. (2018)	Effect of Earnings Management On Performance Of Corporate Organization In Nigeria.	Return on shareholders' fund, return on capital employed, net profit after tax (PAT and return on assets (ROA).
5	Uwalomwa et al. (2015)	Assessment Of The Effects Of Firms' Characteristics On Earnings Management Of Listed Firms In Nigeria	Firm's corporate strategy, firm's size and firm's leverage
6	Oshodin and Ogieva (2022)	Determinants of Earnings Management in Firms Listed at the Nigerian Stock Exchange	Tax Aggressiveness, Director's Shareholdings, Quoted Share Price, IFRS and Political Connections
7	Ochuko B.E (2021)	Determinants Of Earnings Management: The Study Of Nigerian Nonfinancial Companies	The probability of bankruptcy, Profitability, non-debt tax shield, Operating cashflows, Stock returns, The firm size and growth
8	Zhang and Abraham (2020)	Earnings Management and Corporate Performance: An Empirical Evidence from Ghana	Firm Performance

Board Attributes, Tax aggressiveness, Quoted share price and Return on Assets, Firm size and institutional ownership, Return on shareholders' fund, return on capital employed, net profit after tax (PAT and return on assets (ROA), Firm's corporate strategy, Director's Shareholdings, Quoted Share Price, IFRS and Political Connections, The probability of bankruptcy, Profitability, non-debt tax shield, Operating cash flows, Stock returns, Firm size and growth, and Firm Performance are the Determinants identified from the works under review.

Firm Size

The size of a business is often used in place of specific market information. It is probable that bigger businesses have better access to information in the market than smaller ones. According to Albrecht and Richardson (1990), small businesses are more motivated than large corporations to smooth earnings. The results of Lee and Choi's (2002) study indicate that a company's ability to control profitability is influenced by its size. According to Hope and Kemebradikemor (2019), big businesses typically have more resources, accounting personnel, and sophisticated accounting information systems. As a result, big businesses may compile and release financial statements faster than their smaller counterparts. Owusu-Ansah (2000) make a similar case, arguing that big businesses typically have robust internal control frameworks. Hence, meaningful testing takes less time from external auditors. Furthermore, Nelson et al. (2019) states that larger businesses are more likely to put pressure on external auditors to begin and finish an audit on schedule.

According to Lisboa (2019), the reason businesses manipulate their earnings can be statistically explained by the size of the company. It was demonstrated by Moses (1987) and Hefferman et al. (2008) that there is a positive correlation between firm size and earnings quality. Firm size positively impact earnings management significantly (Gordanlidavaji & Vakilifard, 2014; Uwuigbe et al., 2015). According to the study, there are more opportunities to manipulate earnings when a corporation grows in size due to its increased number of operations. Thus, it is averred that a firm's size has a favorable impact on earnings management.

Tax Aggressiveness

Management has the chance to be proactive with taxes when it comes to the practice of lowering tax burdens in order to boost profits through earnings management. According to Oburota and Ebiaghan (2023), Seiyabo and Ebiaghan (2022), Ebiaghan (2019), Putri et al. (2016) and Blaylock et al. (2012), this strategy entails using business resources for personal purposes. This situation might be brought about by the ownership split of publicly listed corporations, which gives management the chance to favorably select certain accounting practices or guidelines.

Return on Assets

Return on Assets (ROA) is a metric frequently employed as a principal indication to evaluate the performance of a corporation and subsequently make well-informed financial decisions. Sihasale (2001) looked into how stock price of companies listed on the JSE was affected by their financial performance. According to the research, ROA and return on equity (ROE) together have a major impact on stock prices. Change and Warfield (2005) used the monitoring of rising stock prices to identify the phenomenon of earnings management.

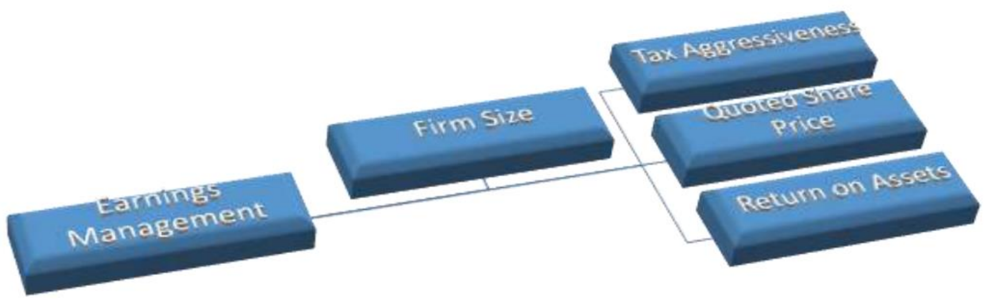

Figure 1: Schematic model
Source: Onoyenure and Ebiaghan (2023)

Institutional ownership and Earning Management

Pension funds, trustees, insurance providers, financial institutions, and investment firms are examples of institutional investors. According to agency theory, institutional ownership is a solution to the agency problem. Institutional investors are thought to be a useful tool for corporate governance. They have a significant investment in the business, which motivates them to keep an eye on the management's actions. Proactive monitoring, which less knowledgeable investors are unable to do, is given by institutional ownership monitoring. A high degree of institutional appropriation will prompt the institutional portion of the business to step up surveillance in an effort to thwart managers' opportunistic behavior (Okika et al., 2020). According to Jackson, Scott B. and Liu, Xiaotao Kelvin (2010)), institutional ownership, which consists of better-informed individual investors, can play a significant role in overseeing and reprimanding management as well as guiding a company's financial reporting operations. According to Mitra et al. (2005), there is a correlation between an enterprise's ownership characteristics and the prompt remediation of control over financial reporting flaws.

Corporate performance and Earnings management

Because earnings management involves the intentional manipulation of financial information to either mislead investors about a company's true economic position or to obtain contractual benefits that primarily depend on accounting numbers, it has an impact on corporate firm performance and even has the potential to reduce shareholder wealth (Watts & Zimmerman, 1986; Healy & Wahlen, 1999). The organization's directors' financial statement provides stakeholders with information about performance. Assessing the accuracy and fairness of a company's financial statement report and the effectiveness of its corporate governance process are increasingly difficult and unclear decisions to make. There is a knowledge gap that exists between external information users and management. When users permit managers to prepare and report accounting transactions at their own discretion for personal gain, management of the company will attempt to present the best possible accounting results by making large one-time provisions in years with higher underlying earnings (Ajide & Aderemi, 2014).

Board Attributes and Earnings Management

The characteristics of corporate boards that oversee the general operation of the companies are referred to as board qualities. Board qualities are referred to as the corporate governance idea by Mwendwa (2020). Thus, management's role and the process of corporate governance determine whether a company succeeds or fails. While Fan, Lau and Young (2007) and Nasution and Nengzih (2020) examine a wide range of topics related to corporate management, including voting rights, exposes, and rules, among others, this study focuses on the size, composition, and representation of women on the board as well as the non-executive directors.

Board size

This group consists of the independent and non-executive directors who are seated in corporate boardrooms. Board size should be decided in a way that reflects the breadth and complexity of the organization's production process, according to Fama and Jensen (1983). This suggests that larger and more complicated businesses will need larger boards, and vice versa. There are two primary competing viewpoints regarding the efficacy and size of boards. The first group contends that because larger boards are harder to coordinate with, smaller boards are more effective (Yermack, 1996). This could have an impact on how well financial reports are presented. The other viewpoint contends that a larger board is more productive because it can capitalize on members' knowledge and experience (Dalton et al., 1999; Xie et al., 2003).

Board independence

A board with a sufficient number of non-executive directors, who can offer impartial insight to the table, is often thought to have less earnings management methods. According to Shafi et al. (2020), nonexecutive directors are separate from management and rigorously carry out their oversight responsibilities, contributing a wealth of knowledge to the company. Board balance is necessary for the board to operate effectively. A board that is balanced is made up of non-executive members that are not beholden to management or shareholders, rather than being predominately composed of executive directors. Klein (2002) asserts that an independent board is one of the most useful instruments for keeping an eye on the accounting procedure. This is anticipated to improve accounting quality by minimizing financial reporting fraud in all its forms and enabling the company to grow sustainably.

Board gender diversity

In general, people believe that women are less likely to engage in fraudulent activity. Women on company boards may improve accounting quality and lessen appointed managers' propensity for opportunism. Women are shown to be more risk averse in corporate management because they are less inclined to act unethically or take risks in an effort to obtain personal advantage (Gul et al., 2009). Therefore, having more women on the board may act as a check on the practice of earnings management, better the quality of financial statements, and promote the long-term growth of corporate organizations.

Board meetings

The number of times the board of directors meets to discuss significant matters that affect the organization is known as the board meeting frequency. Meeting frequency can aid in enhancing the quality of financial reporting, as it is one of management's primary responsibilities. This will eventually lead to a somewhat decreased incidence of financial statement manipulation and the development of business businesses in a sustainable manner.

Operating Cash flows and earnings management

Cash flows from a company's primary generating activities, such as money received from clients and money paid to suppliers and staff, make up operating cashflows. There is a claim that companies with poor operating cashflows are more likely to start managing their earnings to boost cashflow from operations, like quickening the collection of payments (Andreas, 2017; Jang & Kim, 2017). However, businesses with strong operating cashflows would not mind giving credit to salespeople as long as it makes sense to do so (Cudia & Dela Cruz, 2018). Additionally, businesses may use their access to low-cost financing sources to postpone the cash collecting period. To some degree, managers can control when cashflows are realized by speeding up or slowing down sales receipts and cash payments (El-Diri, 2018).

Hastuti et al. (2018) examined the impact of operating cashflows for manufacturing companies listed on the Indonesian Stock Exchange and discovered a statistically significant negative correlation between operating cashflows and earnings management. However, Cudia and Dela Cruz (2018) reported a positive and significant relationship between cashflows from operations and earnings management. Banimahd and Aliabadi (2013) looked at how companies listed on the Tehran Stock Exchange managed their cash flows from 2004 to 2011, and discovered a strong correlation between the variables.

Moreover, the free cash theory contended that managers would frequently utilize extra cash flows for investments that would optimize their personal wealth as opposed to the firm's owner's (Harbula, 2001). Chalak and Mohammadnezhad (2012) validated the free cash theory by reporting that companies that engage in earnings management typically have large cash flows and limited growth. Ochuko (2021) suggests that managers manipulate cash flows and hypothesizes that operating cashflows have a large beneficial influence on earnings management, given that cash is the "lifeblood" for the operations carried out by a corporation.

Stock returns and earnings management

Stock returns is a powerful evaluator of the value of a firm. It takes into consideration, capital gains and dividends, by which return on investors’ stock ownership is measured. Stock value will always change as the fundamentals of a firm are revealed over time. A drop in the stock price is undesirable from the point of view of management since stock returns remain one of the primary objectives for evaluating management performance, and their compensation is particularly tied to it (Ali et al., 2015). Hence, mangers undertake earnings management so as to influence the investor’s positive reflection of the performance of a firm. Their job security and their value in the labor market increase with better stock returns (Chi & Gupta, 2009).

Although there are incentives for managers to manipulate accounting numbers that will influence the stock price of a firm, the stock price is not determined by management, but in the stock market by market dealers. Therefore, through earnings management, managers make investors perceive a better situation of the firm that encourages them to pay a higher price for it. Thus, a dealer’s perception of earnings as good (bad) news will reflect upward (downward) the stock price and, eventually, stock returns (Darmawan et al., 2019). The higher the surprise of the unexpected news, the more significant the market reaction that alters the stock price equilibrium (Sayari et al., 2013). Given the fact that managers are led to maximize their financial report policy in order to present it to the market, the most successful image exploiting the insufficiency of accounting standards, managers manipulate investors’ thinking and expectations in order to exert an influence on the stock price and stock returns. It is in this light that the signaling theory based on earnings management is considered as a financial communication tool.

Sayari et al. (2013) showed that earnings management had positive bearings on stock returns in Tunisia. Bansal et al. (2021) investigated the real bearing of earnings management on the cross-sectional stock return of the weekly and monthly data of 3,085 firms of the Bombay Stock Exchange from January 2000-December 2019 and showed that investors discounted the stock price when they perceived low-quality real earnings management.

Chi and Gupta (2009) posits that low-quality earnings management relates to lower future abnormal stock returns, finding that the firms with low-quality earnings management underperformed those with high-quality earnings management. Low-quality earnings management translates into lower future operating performances. Al Saedi (2018) found no significant relationship between earnings management and stock returns by examining the relationship between earnings management practice and stock returns on the shares of the Qatari industrial listed firms over the period 2009-2017.

Al Omush et al. (2019) examined the impact of earnings management on the stock returns of the firms listed on the Amman Stock Exchange on a sample of 18 firms over the period 2014-2018. The study found no relationship between the variables, suggesting that the stock exchange was not able to reflect earnings management practices. Nuryaman (2013) reported that earnings management had a negative bearing on stock returns from the analysis of the effects of earnings management on the stock returns of firms, with the quality of audit as the moderating variable for the 149 manufacturing firms listed on the Indonesian Stock Exchange in 2010. The study hypothesizes that stock returns have a significant negative bearing on earnings management.

Growth and earnings management

Growth in a company can refer to a variety of circumstances, including rising sales and output, the creation of new divisions, rising asset values per employee, and so on. Growth is therefore essential for organizations since it allows them to optimize the wealth of their owners. According to a theory put forth by Lee et al., 2006), high-growth companies are more likely to participate in earnings management in order to sustain the earnings stream and prevent negative market reactions to reporting weak earnings. Market attention is likely to be drawn to negative growth.

Furthermore, managers exercise caution while revealing profits because they are aware that the earnings indicator will eventually point to the likelihood of the company's earnings growing. In order to avoid scrutiny, they attempt to suppress growth signals by manipulating the earnings report to present the image in a way that aligns with their incentives (Anjum et al., 2012).

According to McNichols (2000), companies that anticipated higher earnings growth were more likely to manage their earnings than companies that faced lower growth expectations. According to Alareeni (2018), there is less of a necessity to manage earnings the higher the growth rate and vice versa. To put it another way, there is a negative correlation between earnings management and a good growth opportunity (Al Saedi, 2018). According to Kwarbai et al. (2019), growth opportunities significantly improve earnings management. Alareeni (2018) opined that there is less need to manage earnings the higher the growth rate and vice versa. The study hypothesizes that growth is substantially positively associated to earnings management and that a growth forecast would affect profits management upward or downward.

CONCLUSION AND RECOMMENDATIONS

The findings, summary, conclusion, and suggestions derived from the organization of the articles and the identified determinants of earnings management in Table 1 were used to summarize the section and provide guidance for a more thorough investigation.

On the impact of board characteristics on the earnings margin of listed deposit money banks in Nigerian during a five-year period (2016–2021). The conclusion was that earnings management of listed deposit money banks in Nigeria impacted negatively by board size. This demonstrates that earnings management of listed deposit money banks is highly influenced by board size. Thus, earnings management of listed deposit money banks in Nigeria will naturally decline with a larger board. In addition, the study found that board diversity has no significant effect on earnings management of listed deposit money banks in Nigeria. This reveals that increase in board diversity will not have any noticeable increase on earnings management of listed deposit money banks in Nigeria.

The report makes the following recommendations:

i. That shareholders of Nigeria's commercial banks should establish optimal boards with sufficient representation to act as an oversight body and reduce earnings management;
ii. That deposit money banks in Nigeria should make sure that audit committees and independent directors on the board are appropriately constituted to bring in outside experience and expertise that would decrease earnings management; and
iii. That bank management should raise awareness of the advantages of having a gender diverse board and provide women with the chance to share their expertise and participate in decision-making.

The impact of determinants of earnings management (share price, tax aggressiveness, ROA, and firm size) from 21 quoted consumer goods firms and 13 quoted industrial goods firms in Nigeria. According to evidence in literature, ROA and share price are factors that have a substantial impact on earnings management of publicly traded businesses in the consumer goods and industrial sectors. Furthermore, it is believed that a key controlling component in earnings management determination is firm size. Conversely, tax aggression had no discernible effect on earnings management. Reducing tax obligation is driven by the goal of increasing profits through earnings management, which allows management to be more aggressive with taxes. It follows that for every financial choice they make, investors rely on financial figures, such as profitability, which are made available to the public by the stock exchange.

Afam-mebei and Ebiaghan (2022) and Charfeddine et al. (2003) state that poor financial performance correlates with a decline in ROA. Earnings management has become a tool for upholding a positive reputation with stakeholders. This position is consistent with the provisions of agency theory that managers' actions, which put shareholders' interests first, increase the likelihood of earnings management. Firm-specific characteristics have a powerful impact on earnings management of listed conglomerates in Nigeria. This, the paper of the view that conglomerates in Nigeria are less inclined to participate in earnings management activity; and that older businesses had less incentive to act opportunistically.

Afam-mebei and Ebiaghan (2022) and Charfeddine et al. (2003) further suggests that while deciding whether or not to believe reported earnings are reliable, users of accounting information should evaluate the turnover ratio of non-current assets. These positions inform the following recommendations:

i. In order to enhance financial performance, management of listed industrial goods companies should expand and grow their asset base.
ii. In order to prevent bankruptcy, businesses should improve the efficacy and efficiency of their liquidity management. They should invest more in liquid assets since they are less profitable when they are less liquid. Companies' financial performance will be enhanced, and this will help them pay off short-term obligations when they become due.

Given that leverage is one of the best measures of how much debt there is compared to equity, it is advised that companies handle their debt from creditors more skillfully in order to improve their financial performance. Precautions should also be made with regard to the scale of the company, the percentage of shares held by institutions, and the pursuit of increased profit at the price of the caliber of reported earnings. Less regulation, such as price controls and lower corporation taxes, could accomplish this goal and allow businesses to reveal more specific information in their yearly reports and financial statements.

FUTURE RESEARCH DIRECTION

Several possible future directions for earnings management research can be identified, based on the insights gained from the critical examination on Earnings management literature in the public sector. Several tactics are suggested below to gain further understanding of Earnings management practices in the public sector.

The private-sector Earnings management literature approach influence indirect measures used to proxy earnings management in the public sector. For instance, the modified Jones model (Jones et al., 1995) and the Jones model (Jones, 1991) are frequently employed as proxies for accounting earnings management. This method is certainly just as applicable to micro-level studies focused on state-owned firms as it is to studies pertaining to the private sector. The ownership structure is the primary distinction between state-owned and non-state-owned businesses.

On the other hand, for micro-level studies focused on sub-national governments or entities functioning within national and sub-national governments, the transfer of methods first established and employed in private-sector earnings management studies would not be as simple. In this case, there are variations in the underlying transaction types, as well as variations in the financial reporting regulatory environment. As a result, this body of literature includes numerous instances of studies that modify current models to take jurisdiction-specific factors into consideration.

The articles under examination do not specifically rely on theory to inform their analysis. Further theoretical development can enhance empirical research in the future and provide further understanding of the variables that both encourage and inhibit public-sector enterprises from implementing earnings management.

Research on the potential effects of earnings management on public-sector organizations is needed. Though some studies have examined the connection between earnings management practices and financial performance, additional research on the subject is warranted. Furthermore, the role of financial reporting and national/statistical data in ex post accountability and/or ex ante decision-making may be compromised when managers and politicians use earnings management to conceal true financial performance and health, potentially postponing or impeding necessary actions. It goes without saying that earnings management can only be usefully implemented by sane managers and legislators in the event that a sufficient number of stakeholders are either unable or unwilling to fully understand its implications for the reported financial performance.

Like any evaluations of the literature, this one has its limitations. It used an SLR methodology, although there might be some missing contributions. The search, selection, and analysis criteria applied to pertinent publications may also have had an impact on the outcomes. Since it will enable future research to duplicate and/or expand this study, the clear research approach utilized for evaluating and categorizing each article included in this literature review is essential.

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