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IMPLICATIONS OF INCOME MANAGEMENT ON SHAREHOLDERS' WEALTH

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Introduction

Income management occurs when managers intentionally use accounting methods and principles to influence reported earnings, potentially misrepresenting the company's financial position, (Ogundajo, Asaolu, Ajayi and Otitolaiye, 2021). The deficiencies in accounting information are a cause for concern. Moreover, users of financial statements are expressing growing frustration and disappointment with the inconsistency and low quality of financial reporting. The relevance, faithful representation, and timeliness of financial statements are gradually losing credibility and usefulness. Investors and other stakeholders are becoming increasingly concerned about the persistent mismatch between reported earnings and the actual results of corporate operational activities. Sheng and Liu (2020) assert that income management is primarily driven by the need to meet capital market expectations. This is due to the positive correlation between corporate accounting earnings and stock prices, where higher reported earnings can lead to increased stock prices. Equity financing, especially during events like initial public offerings, further motivates managers to boost earnings, even if it involves conveying misleading information to investors. Studies have shown that managers engage in earnings management to avoid declines or losses in earnings, particularly when transaction costs and prospect theory come into play.

Additionally, failing to meet analyst targets can result in a loss of market value for the firm and potential consequences for managers, including reduced salaries or termination. In light of these factors, managers often strive to exceed earnings expectations to avoid negative repercussions and maintain investor sentiment. According to Sheng and Liu, (2020) income management can be attributed to three primary factors: contracting incentives; principal-agent relationship; and political costs. When accounting data is used to oversee contracts between listed firms and stakeholders, such as management compensation and debt contracts, managers may manipulate earnings to maximize their own benefits. This includes boosting earnings to increase compensation and job security, especially before executive changes, and, conversely, reducing profits after such changes and blaming predecessors. The study states that managers often engage in earnings management to serve their interests within the principal-agent relationship by overstating earnings, especially in the early years of a CEO's tenure, and take accounting measures to mitigate potential breaches of debt contracts. Also, firms may manage earnings to address potential political costs arising from industry regulations, tax implications, and other political activities. This involves adjusting earnings to navigate uncertain regulatory changes and external factors, such as, during times of government policy formulation or review to avoid higher taxes or regulatory burdens.

A pivotal aspect of financial statements is the credibility and accuracy of the data they provide to users. The International Accounting Standards Board (IASB) asserts that financial reports must offer pertinent information enabling readers to make informed financial decisions. Users typically assume that the information within financial statements and their accompanying documents is precise and suitable for their intended purposes. Among these users, shareholders rely on financial statements to guide their decisions. While accounting principles dictate the presentation of a truthful and unbiased representation, this principle is occasionally breached. Despite the growing demand for accurate financial reporting, deterring financial statement preparers from manipulating data to influence users' perceptions in favor of their companies can be challenging. This manipulation is often referred to as "creative accounting practices."

While creativity is commendable in many contexts, it is not deemed appropriate within accounting (CPA, 2020). Income management practices may exhibit some characteristics resembling fraud, yet they differ from outright fraudulent financial activities and are not illegal. Nonetheless, they are viewed as unethical due to their potential to mislead financial statement users. Norbert (2014) asserts that management is primarily concerned with accomplishments, outcomes, efficiency, and effectiveness. This implies that management prioritizes results and is oriented towards achieving them, rather than focusing solely on activities. Accountants, as integral members of management, are more result-oriented and may strive to present financial reports favorably to generate positive outcomes that would attract both current and prospective investors.

The credibility of accounting information is of utmost importance because it has the potential to enhance the quality of investment decisions. When accounting information is considered credible, it is seen as trustworthy and dependable. The lending credibility theory suggests that auditors play a crucial role in bolstering the credibility of financial statements prepared by management. This credibility of accounting information is invaluable and cannot be overstated, as it is a valuable contribution that auditors provide to the public. In simpler terms, the value of accounting information is essentially worthless if it lacks credibility (Jung, Soderstrom, & Yang, 2013). The credibility and reliability of accounting numbers play a crucial role in instilling confidence among users of financial statements. They not only add value to investment decisions but also reflect the absence of information asymmetry, promoting transparency and accountability – essential qualities expected in every audited financial statement (Feng et al., 2019).

Reliability, in this context, refers to the provision of undistorted, error-free, and unmanipulated information that accurately represents the economic realities of a company's financial and non-financial position. It should convey an honest opinion from an auditor who has diligently exercised their professional duty and care. Previous studies have highlighted that income smoothing and earnings management are prevalent practices that can undermine the credibility of accounting numbers (Ali & Zhang, 2015; Dong et al., 2021). Equity financing, particularly during initial public offerings (IPOs) and other capital-raising activities, places intense pressure on managers to resist the temptation of manipulating earnings to present a false picture of a company's financial health to investors (Akpanuko& Umoren, 2018; Godsell et al., 2017). Conversely, income smoothing involves using accounting techniques to even out income fluctuations between accounting periods, aiming to attract investors by showcasing a stable and predictable earnings trend (Chen et al., 2019).

While some argue that income smoothing is not illegal as long as it adheres to generally accepted accounting principles (GAAP) and involves moving revenue and expenses between accounting periods (Goetzmann et al., 2014), others contend that its underlying motive is fraudulent, involving tax evasion and attracting unsuspecting investors, rather than a fair and accurate representation of accounting information (Gross et al., 2016). Both income smoothing and earnings management are discretionary actions taken by management to manipulate accounting information to their advantage. According to Chen et al. (2019), income smoothing is a subset of earnings management. Earnings management involves intentional interventions to achieve specific outcomes, often deviating from the true operational activities, whereas income smoothing aims to even out income over time to present a more stable financial picture and reduce perceived risks and earnings volatility (Luo, 2017; Sheng & Liu, 2020).

There is a global dissatisfaction among financial statement users regarding the credibility and utility of accounting information. Users now view audit services as providing little value, perceiving financial statements as primarily a collection of regulatory requirements and compliance measures rather than a coherent representation of a company's financial health. Empirical evidence consistently shows that financial statements are increasingly falling short of their intended purpose as sources of credible financial information. Allegations include inaccuracies, misleading data, and a failure to reflect the true economic performance of audited companies (Luo, 2017). Creativity is great but not in accounting, (CPA, 2020). Income management practices possess a few traits of fraud but are different from fraudulent financial practices and are thus not illegal but are considered immoral in terms of misguiding the users of financial statements. Anaja and Onoja (2015) argue that entities have an ethical obligation to provide comprehensive operational information that aids investors in making informed decisions. Shareholders, being the true proprietors of the company, hold management accountable and anticipate the maximization of shareholder value.

However, Sheng and Liu (2020) assert that a significant portion of top managers in the corporate sector focus on presenting their Financial Statements more appealingly, even if it means manipulating figures to attract investors. While income management techniques may offer short-term benefits, the potential consequences on shareholders' wealth are of paramount concern. Shareholders, as owners of the company, rely on accurate and transparent financial information to make informed investment decisions. Manipulating reported earnings can distort the perception of a company's true financial health and performance, leading to misinformed investment choices and affecting shareholders' wealth in several significant ways:
Ubogu (2019) categorizes creative accounting or income management as a form of financial fraud evident in the fabrication of financial statements, posing substantial risks and potential costs, including erosion of shareholder capital. This is because introducing income management bears implications for shareholder wealth. It encompasses various strategies and practices employed by companies to influence the reported financial results and portray a certain image of their financial performance. These practices can have far-reaching implications for the company's stakeholders, particularly its shareholders. The primary objective of income management is often to meet or exceed market expectations, secure favorable financing terms, and maintain or enhance the company's stock price. This study aims to delve into the potential effects of income management on shareholder wealth.

Statement of the Problem

Nigeria's adoption of the International Financial Reporting Standard (IFRS) aimed to enhance transparency in financial information. However, the latitude afforded by accounting regulations, especially in terms of measurement methods, recognition standards, and defining accounting entities, has led to the proliferation of income management practices (Sanusi and Izedonmi, 2014). Income management practices that cross ethical and legal boundaries may attract regulatory scrutiny and potential legal action. These risks can lead to fines, legal expenses, and damage to the company's reputation, all of which can negatively impact shareholders' wealth. This regulatory gap has been exploited by managers for their undue advantage, as seen in the study by Sawabe (2011). Given that financial records serve as the primary wellspring of insights into an organization's financial stability, economic activity, and fiscal well-being, distorting financial reporting is injurious to all stakeholders. Companies engaging in income management often aim to smooth earnings volatility or show consistent growth. If the market discovers such manipulation, shareholders may react negatively, resulting in sudden stock price declines that erode shareholders' wealth. These debacles severely impacted both managerial and stakeholder wealth, often precipitating substantial losses for shareholders. Income management, involving substantial distortions in financial statements and pertinent financial facts, prompts the realization that different conclusions could have been drawn had the financial reports not been egregiously misrepresented. The resources and efforts devoted to income management could have been channelled into initiatives that genuinely enhance the company's operational efficiency, innovation, and overall value proposition. Shareholders bear the opportunity cost of missed value-creating opportunities. Also, income management practices can divert resources and attention away from long-term value creation, as management becomes more focused on achieving short-term financial targets. This can hinder financial disclosures, leading to decreased investor confidence and potentially reducing demand for the company's stock. In light of these considerations, understanding the implications of income management on shareholders' wealth is vital for both investors and corporate governance. This study seeks to comprehensively examine the various income management practices and their potential effects on shareholders' wealth especially within Nigerian banks.

Objectives of the Study

The general objective of the study is to investigate the implications of income management on shareholders' wealth; while the specific objectives include to:

- Assess how the practice of income smoothing affects Earnings Per Share.
- Investigate the consequences of earnings management on Earnings Per Share.
- Analyze the relationship between tax avoidance strategies and Earnings Per Share.

Research Hypotheses

The following hypotheses were formulated in null form:

Ho: Income smoothing does not affect Earnings Per Share.

Ho: Earnings management does not affect Earnings Per Share.

Ho: Tax avoidance does not affect Earnings Per Share.

Conceptual Review

Income Management

Income manipulation, also known as profit smoothing or creative accounting, involves purposefully altering financial records to present a more favorable image of a company's financial well-being than its actual performance. This manipulation can take various forms, including manipulating revenue recognition, adjusting costs, and changing accounting principles. Such tactics can have detrimental outcomes. Deliberately distorting financial data can lead to inaccurate assessments of a company's financial health by investors, lenders, and other stakeholders, hampering well-informed decision-making (Agbaje and Akinfolarin, 2021). Enron remains an emblematic case of corporate fraud and mismanagement. The energy giant employed deceptive accounting practices to manipulate financial reports and conceal its true financial state. Through complex off-balance-sheet operations and specialized entities, Enron inflated profits and obscured debt. The fallout, which erupted in 2001, resulted in Enron's bankruptcy and unveiled substantial shortcomings in corporate governance, accounting standards, and regulatory frameworks. This catalyzed significant changes in accounting regulations, exemplified by the enactment of the Sarbanes-Oxley Act in the US, aimed at bolstering corporate accountability and refining financial reporting practices.

Earnings management refers to managers' orchestrated adjustments of financial statements and transactions to mislead specific stakeholders about a company's financial performance. This involves managerial choices regarding accounting procedures that impact revenues and business success (Strakova, 2021). Earnings management intentionally distorts financial data to present a skewed view of performance, often to meet specific objectives or expectations. While such manipulation often operates within legal boundaries, the ultimate aim is to influence reported profits. Activities like timing income or cost recognition, while lawful, can be employed in earnings management, occasionally involving manipulative and aggressive tactics.

Techniques of Income Management

These sectors actively engage in income management through various strategies:

Income Smoothing: Organizations use income smoothing to maintain consistent profit projections, returns, and growth, avoiding unnecessary market reactions. By shifting revenue and costs across reporting periods, companies create the illusion of steady profitability, even during times of supposed low profitability. This technique is employed to enhance profits during unfavorable periods. Legitimate methods are employed to achieve income smoothing, divided into natural and synthetic approaches.

Tax Compliance: Legal methods are utilized to reduce income tax liability for individuals and companies. This involves claiming eligible credits and deductions, as well as prioritizing tax-beneficial investments. Manipulating corporate income reporting to lower tax payments is a motivation behind creative accounting strategies.

Big Bath Charges: A technique where all costs for a single year are charged to show a substantial loss instead of spreading losses over multiple years. This approach aims to create a stronger profitability outlook for the future by attributing all costs to a single "bad" year, (Jones, 2011).

Creative Acquisition: Accounting standards like IFRS 3 guide the allocation of purchase prices in business acquisitions. The management can manipulate the amortization levels, potentially impacting reported profits. Additionally, the SEC oversees the distribution of R&D expenses, which can also be manipulated, (Mulford and Comiskey, 2002).

Cookie Jar Reserve: In periods of high revenue, companies over-provision accumulated expenses to decrease profits for future stability. Conversely, not covering incurred costs when needed can inflate earnings during tough times, (Jones 2011).

Materiality: Small adjustments can have substantial impacts on company finances. Classifying expenses as assets or changing thresholds for recognition can significantly affect reported profits, (Levitt, 1998)

Balance Sheet Manipulation: Financial items on the balance sheet are manipulated through reclassification and presentation to influence financial ratios and cognitive reference points.

Regulatory Flexibility: Accounting standards often allow policy choices. Management can alter policies over time, which might go unnoticed for years, affecting financial reporting.

Manipulating Inventory: Companies can alter inventory quantities or values. Detailed stocktaking can be employed to adjust quantities in periods requiring increased earnings. Manipulating inventory values involves provisions for slow-moving inventories and changes in inventory valuation methods.These strategies demonstrate how organizations actively manage their income through various means, often within legal boundaries, to influence reported profits and financial stability.

Shareholders Wealth

The overall worth of a shareholder's stake in a corporation is referred to as shareholder wealth. It represents the total market value of the company's outstanding shares. The total market value of all the shares that shareholders own is often used to calculate shareholder wealth. To calculate this, multiply the number of outstanding shares by the price per share on the open market; (Laux, 2010). Shareholders' equity is a section of a company's balance sheet that represents the remaining stake in its assets after obligations have been subtracted. It is, in other words, the company's net worth as seen from the perspective of the shareholders. It is determined by subtracting a company's total assets from its total liabilities. Other names for shareholders' equity include net assets and book value. Shareholder wealth, when referring to an individual, is the worth of that shareholder's stake in the business. This is computed by dividing the number of shares the person owns by the share price as of the current trading day.

Precisely, shareholder wealth is the sum of each shareholder's ownership in the business, whereas shareholder wealth per individual shareholder is the worth of that shareholder's ownership based on the number of shares they own and the share price at the time of valuation, (Laux, 2010). The term "shareholder wealth" describes the total wealth that investors in a firm have acquired as a result of their involvement. Board members have a fiduciary duty to shareholders, which requires them to protect their investment by running the company efficiently and following accepted practices. The net market value of the company's assets less its liabilities equals the aggregate value of the shares owned by stockholders. The value of the company's shares and the wealth of its owners therefore immediately increase in proportion to any increase in the value of the company's assets. Since retained earnings help the company's assets to expand, some researchers contend that maximizing profits and shareholder wealth are mutually inclusive (Pucki, Lo, 2023).

Relationship between Income Management and Shareholder's Wealth.

While the short-term gains of income management might enhance shareholder value, failure to adhere to openness, ethics, and accounting standards tends to lead to negative long-term consequences. When companies prioritize transparent and sustainable financial reporting, it usually benefits shareholders by fostering trust and confidence in the company. This, in turn, promotes steady and lasting growth in shareholder wealth. The relationship between income management and shareholder wealth is complex, with potential positive and detrimental effects. Agbaje and Akinfolarin (2021), focus on earnings management and its impact on shareholder wealth within Nigerian-listed manufacturing firms. The aim was to explore the pressures that drive management to manipulate accounting practices to control profitability, meet shareholder expectations, and maintain stock prices. Employing an ex-post facto research approach, the researchers purposefully selected a sample of twenty-one manufacturing companies out of sixty-seven registered on the Nigerian Stock Exchange by the end of 2018. Data spanning from 2008 to 2018 were collected from secondary sources, including the Fact Book of the Nigeria Stock Exchange and annual reports of the chosen companies. The analysis involved both descriptive and inferential statistics. Results revealed a significant positive correlation between shareholders' wealth and the sales growth index (SGI). However, other findings indicated that the leverage index (LEVI) hurt shareholders' value. The study concluded that managing earnings manipulation is vital to address the identified gaps, thereby ensuring effective management of earnings indices for a more productive and developed manufacturing sector in Nigeria. The study recommended that considering the notable effects of explanatory factors on enhancing market value added, particularly in the short or long term, effective operation of Nigerian manufacturing businesses should prioritize earnings management (specifically SGI and LEVI).

Micah and Okeoma (2014) focus on the relationship between creative accounting practices and two measures of organizational effectiveness: profitability and market share. Creative accounting, encompassing tactics like income smoothing, artificial transactions, and regulatory flexibility, was explored as the independent variable. Some companies engage in questionable practices such as manipulating assets and liabilities to meet criteria like debt covenants or mask underlying issues. Dishonest tactics like off-balance-sheet financing, overly optimistic revenue recognition, and exaggerated non-recurring items were discussed in the study.
Every company aims to achieve its goals, objectives, and sustained profit growth, all while attracting more investors to boost share prices and market share. However, it's crucial to emphasize that these objectives should always be pursued using ethical and transparent means. While unethical accounting methods might offer short-term advantages, they can inflict lasting harm on the company, stakeholders, and the broader market. Upholding integrity and employing sustainable business practices are fundamental to long-term success and

maintaining the trust of both customers and investors (Micah and Okeoma, 2014).

Theoretical Review

Agency Theory

Agency theory, formulated by economists Michael C. Jensen and William H. Meckling in 1976, delves into the interactions between principals (e.g., shareholders) and agents (e.g., managers) within an organization. This theory addresses potential conflicts of interest that can arise due to differing objectives and motivations. The key players in this dynamic are the shareholders and the management, with shareholders designating management as their representatives for decision-making. While the agent, or management, makes decisions, the principal, or shareholders, are ultimately accountable for any losses incurred. However, misalignments often occur between the interests of principals and agents due to varying perspectives, values, and priorities. Sydserff and Weetman (1999) highlight that agents can exploit conflicts of interest between shareholders and management when it comes to allocating economic resources. This can lead to a lack of objectivity in managers' preparation of financial statements, resulting in information asymmetry between principals and agents. Agency theory suggests that the existing conflict between agents and shareholders over financial resources may lead managers to engage in manipulative behavior, as indicated by Vladu and Mardis (2010).

An important area of study within agency theory pertains to the impact of income management on shareholders' wealth. This theory provides a framework to analyze the relationship between principals (shareholders) and agents (management) within a corporation. It focuses on potential conflicts of interest and their influence on decision-making and overall business performance. The relevance of agency theory lies in its ability to conceptualize conflicts between managers and shareholders, enabling researchers and practitioners to understand how income management practices affect shareholder wealth. This comprehension aids in enhancing corporate governance, transparency in financial reporting, and informed decision-making to address agency-related challenges.

Several key points elucidate the application of agency theory to research on income management's effects on shareholder wealth:

Principal-Agent Disagreement: According to agency theory, managers may prioritize their interests over shareholders. Income management practices, such as manipulating reported profits for personal gains, could lead to decisions that harm shareholders' wealth and well-being.

Income Smoothing: Income management often involves altering financial results to showcase steady earnings growth. While some shareholders may appreciate this consistency, concerns about transparency and accurate representation of success may arise.

Long-term vs. Short-term Interests: Income management can prioritize short-term financial outcomes at the expense of long-term sustainability. This may hinder investments in crucial areas like research and development, affecting future income generation.

Maximizing Shareholder Value: Central to agency theory is the goal of maximizing shareholder value. Income management practices that deviate from this objective might distort perceptions of a company's worth, impacting shareholders' views of their wealth.

Monitoring and Control Mechanisms: Agency theory underscores the importance of robust monitoring and control mechanisms to align manager and shareholder interests. Effective governance and independent audit committees mitigate the risk of earnings manipulation and provide shareholders with trustworthy financial information. Conclusively, agency theory provides valuable insights into the intricate relationship between shareholders and management, shedding light on conflicts of interest and their repercussions. This theoretical framework offers a lens through which income management's implications on shareholder wealth can be examined, contributing to improved corporate governance and transparency.

Empirical Review

Umobong and Ibanichuka's (2016) research delved into the impact of accounting fraud on the financial performance of Nigerian businesses. Their study encompassed manufacturing firms listed in the pharmaceutical, food, and beverage sectors of Nigeria's economy from 2006 to 2014. Drawing from a comprehensive theoretical framework, the study validated several hypotheses, affirming that managers can strategically time asset transactions to even out earnings. This practice serves various purposes, including securing bonus compensation, adhering to debt covenants, and managing political costs. The concept of prioritizing shareholder wealth maximization has gained prominence as the enduring benchmark for gauging a firm's success. Through share issuance, companies confer a tangible claim on their assets to investors, signifying their unwavering dedication to the enterprise. Zayol, Tavershima, and Eje (2017) contended that investing entails a bold venture involving substantial allocation of present resources into high-risk, potentially profitable long-term endeavors. The outcome of such high-stakes endeavors remains uncertain and enigmatic, with estimates shrouded in uncertainty. Given the nature of investments, this critical decision mandates a constant connection to financial statements.

Popoola, Akinsanya, Babarinde, and Farinde (2014) astutely pointed out that venturing into investments without heed to financial statements is akin to wandering blindly into a dark abyss, ignorant of its hazardous contours. Placing undue emphasis on shareholder wealth maximization as a corporate strategy often leads to choices that may not align with the company's best interests. This approach can prioritize short-term gains at the potential expense of long-term sustainability. Striking a balance between satisfying shareholders and safeguarding the company from future setbacks is imperative for the board. Some investments yield uncertain returns, and decisions can yield unintended repercussions. Achieving lasting success necessitates a balanced strategy that accommodates diverse stakeholders, integrates innovation and ethical conduct, and embraces environmental responsibility. Islam, Khan, Choudhury, and Adnan (2014) underscored the interconnected nature of investments, as seen in stock prices and earnings per share (EPS). These elements are intricately linked in a dynamic interplay, rather than existing in isolation. Robust EPS can elevate share value, triggering heightened customer interest, bolstering sales, and increasing profits. Conversely, weak EPS can depress stock prices, erode consumer confidence, hinder sales, and ultimately drive down EPS figures. Recognizing these intricate connections is pivotal, as they form a complex, circular chain of impact, diverging from a simple cause-and-effect correlation.

Shareholders find merit in investments that indicate a commitment to business expansion and future value creation. Conversely, poor business decisions can lead to immediate losses without a discernible future gain, prompting concern. Authorities, such as the SEC Nigeria (2013), mandate that dividends be sourced from current profits or revenue reserves before distribution. Boakye (2015) assessed the influence of earnings management on the performance of Ghanaian companies listed on the stock exchange. The study exclusively targeted businesses listed on the Ghana Stock Exchange. Among the 35 companies listed from 2007 to 2013, the research centered on a subset of ten (10). Employing the modified Jones model, the study characterized earnings management as the independent variable, utilizing discretionary accruals for its operationalization. Meanwhile, return on assets (ROA) served as the dependent variable, measuring company performance. Secondary data collection and processing yielded the earnings management figures. The study's results indicated that Ghanaian firms indeed practiced earnings management, and this behavior had a detrimental effect on performance. Arar, Al-Sheikh, and Hardan (2018) embarked on a study investigating the connection between Earnings Management and Stock Price Liquidity among 49 Jordanian service firms enlisted on the esteemed Amman Stock Market from 2010 to 2015. By employing the Jones Modified Model (1995), the research delved into the relationship between the dependent variable (Stock Liquidity) and the independent variable (Earnings Management). Utilizing SPSS as the analytical tool, the study disclosed an absence of correlation between earnings management and stock price liquidity in

Jordanian service firms. The study proposed the integration of specific accounting software compliant with IFRSs to establish a robust link between corporate governance and earnings management. Such a strategy could harness effective profit management, ultimately enhancing overall performance and garnering favour from financial reporting stakeholders.

Alves (2012) explored the nexus between business ownership structure in Portugal and earnings management. The study aimed to discern the impact of managerial ownership, ownership concentration, and institutional ownership – three indicators of ownership structure – on exacerbating or mitigating earnings management. Drawing from a sample of 34 nonfinancial Euronext Lisbon companies across the span of six years (2002 to 2007, totaling 204 firm-year observations), the study revealed that both managerial ownership and ownership concentration were inversely related to discretionary accruals, a proxy for earnings management. The analysis specifically showcased that managerial ownership and ownership concentration acted as constraints on earnings management. This alignment resonates with the efficient monitoring hypothesis, suggesting large shareholders curtail managerial opportunism, and the alignment of interest hypothesis, indicating substantial equity ownership discourages manipulated accounting reporting.

The research additionally unveiled that earnings management was less prevalent in instances of substantial operating cash flows, while it was more prevalent when influenced by political expenses, leverage, and larger board sizes. Conclusively, the findings underscored the pivotal role of ownership structure in curbing earnings management likelihood in Portugal, particularly through managerial ownership and ownership concentration. Thus, the study posited that these factors positively influenced the informational quality of profits, thereby enhancing the relevance and value of disseminated financial information. Al-Fayoumi, Abuzayed, and Alexander (2010) conducted a study investigating the correlation between earnings management and ownership structure. The research focused on 39 industrial enterprises that were listed on the Amman Stock Exchange between 2001 and 2005, representing approximately 64% of Jordanian industrial firms. Earnings management was gauged using discretionary accruals, and the study examined three ownership categories: insiders, institutions, and block-holders. To analyze the data, the researchers employed the Generalized Method of Moments (GMM). The study's findings are categorized into two main conclusions.

The initial outcome highlights a strong and favorable connection between insider ownership and earnings management. Elevated ownership levels provide managers with increased influence, potentially enabling more opportunistic actions. This implies that Jordanian insiders frequently exert independent control over accounting decisions. The second conclusion indicates that neither institutions nor block-holders significantly impact earnings management practices. This suggests a limited role for institutions and block-holders in monitoring Jordanian enterprises. Their limitations might arise from skill gaps, internal free rider issues, or strategic alignment with management, hindering effective oversight. In a separate study, Ali et al. (2008) examined the interplay between managerial ownership levels and the extent of discretionary accounting accruals in Malaysian listed companies, using these accruals as a proxy for earnings management. The research sought to explore how business size influences the relationship between managerial ownership and earnings management practices. The analysis focused on annual reports from companies listed on Bursa Malaysia for the fiscal years 2002 and 2003, with exclusions for unit trusts and finance sector entities due to distinct regulatory and accruals practices. The sample comprised 1,001 publicly traded companies.

The study's results reveal that business size operates as a "quasi" moderating variable. A positive and significant link exists between firm size, executive ownership, and discretionary accruals. This relationship mitigates the negative and significant connection between management ownership levels and discretionary accruals. These findings demonstrate that while managerial ownership might mitigate profit-oriented management actions, other factors, such as business size, also exert influence. Notably, managerial ownership serves as an effective monitoring mechanism, particularly for small businesses. Thus, promoting managerial ownership in small enterprises could compensate for shortcomings in other corporate governance methods. The study underscores the significance of diverse ownership structures in overseeing business operations. Overall, the study underscores a nuanced relationship between managerial ownership and firm size, particularly regarding accounting accruals. While managerial ownership's impact is evident in small businesses, its significance diminishes in larger firms. This indicates that larger organizations, due to heightened agency conflicts, adopt robust corporate governance strategies, reducing the reliance on managerial ownership for control maintenance.

Summary of Literature/Gap Establishment

This literature explores the implication of income management on shareholder wealth, examining the driving forces, methods, and outcomes of income management. It also delves into the concept of shareholder wealth and how it is measured. The research highlights the close connection between income management and the emergence of creative accounting practices, emphasizing their negative effects on businesses, both financially and for their shareholders.

Furthermore, it evaluates the relationship between shareholders and management, shedding light on shareholders' primary authority, information distribution, and accountability for losses. The literature review spans from 1989 to 2021, with a noticeable lack of research beyond 2022, which this study aims to address. The study conducts a thorough analysis by closely examining the latest financial statements of selected commercial banks, aiming to understand the concrete impact of creative accounting on shareholder wealth.

Methodology

Research Design

The researchers' objective was to attain precise insights by utilizing the Annual The research employed an ex-post facto research design, leveraging pre-existing data to systematically and empirically address the research inquiry. The focal point of this study was the Nigerian banking industry, with a specific focus on two major banks: Zenith Bank and Union Bank. These banks were chosen as the primary subjects of investigation due to the convenient availability of their data, which is essential for conducting the analysis. Data for this research was sourced from the Annual Financial Reports of the designated banks in Nigeria. The target population encompassed 21 commercial banks operating within Nigeria. To ensure the credibility and comprehensiveness of the analytical outcomes, a purposive sampling technique was employed. This technique intentionally selected two prominent banks, Zenith Bank and Union Bank, based on predetermined criteria related to the accessibility of their data. Financial Reports of the chosen banks, specifically Zenith Bank and Union Bank, as the primary reservoirs of data for the study.

Operationalization of the Variables Hypothesized

Dependent Variable

Earnings per Share (EPS) is the dependent variable of interest in this study, which examines the potential effects of income management on shareholders' wealth in particular Nigerian banks. An essential financial metric that shows a company's profitability is earnings per share.

The following equation can be used to get earnings per share (EPS):

$$EPS = \frac{\textit{Net Income (NI)} - \textit{Preferred Dividend (PD)}}{\textit{Average Outstanding Common Stock}}$$

Where:

EPS = Earnings per Share
NI = Net Income
PD = Preferred Dividends
AOCS = Average Outstanding Common Shares

In order to determine how Income management practices may impact Shareholders' Wealth, particularly in Nigerian banks, we will utilize EPS as the dependent variable in this study. We may learn more about the possible impact on the profitability and financial health of the banks and, in turn, their shareholders, by examining the implications of Income Management Accounting on EPS.

Independent Variable

Income smoothing is a strategic financial manoeuvre employed by organizations to create the appearance of consistent and stable changes in reported income, even when the underlying fluctuations might be more erratic. This technique involves orchestrating artificial financial transactions to mask the true variability in earnings across various accounting intervals. By doing so, companies aim to present a more reliable and unwavering portrayal of their financial achievements, potentially mitigating abrupt shifts and bolstering investor trust.

In the pursuit of income smoothing, corporations adjust both their revenues and expenses between these time frames, without necessarily aligning with the genuine economic circumstances. This calculated manipulation serves the purpose of maintaining a veneer of predictability and steadiness in financial performance, fostering a sense of stability and dependability for stakeholders. This practice involves adjusting revenues and expenses between periods without necessarily reflecting the economic reality.

The formula for income smoothing is as follows:

CV % Net Profit = (Net Profit - Net Profit-1) / |Net Profit-1|

CV % Sales = (Revenue - Revenue-1) / |Revenue-1|

Where:

"Net Profit" refers to the net profit or earnings of the current accounting period.

"Net Profit-1" refers to the net profit or earnings of the previous accounting period.

"Revenue" refers to the total revenue generated in the current accounting period.

"Revenue-1" refers to the total revenue generated in the previous accounting period.

"|" denotes the absolute value function, ensuring that the result is always positive.

The CV % Net Profit and CV % Sales are compared, and if the CV % Net Profit is less than the CV % Sales, it suggests that income smoothing may be occurring. This suggests that the company modifies its revenue and earnings figures to present a more consistent financial performance than what might naturally occur. Employing overly manipulative or misleading tactics for income smoothing could be considered unethical or deceitful. However, a certain level of revenue smoothing might be acceptable and within the bounds of the Law. Ensuring investor trust and adherence to regulations relies significantly on clear and precise financial disclosure.

Earnings Management: This term describes the deliberate manipulation of financial data to satisfy predetermined goals for financial reporting, such as exceeding earnings projections or improving financial performance.

The Formula is; EM = TSR- OE

Where:

EM= Earnings Management

TSR= Total Sales revenue

OE = Overall Expenses

Tax avoidance: Tax avoidance pertains to the deliberate utilization of lawful loopholes or strategies for planning to diminish a company's tax responsibilities and payments. This enables us to scrutinize the potential impacts of such manoeuvres on financial reporting and assess the degree to which businesses employ inventive accounting approaches.

The Formula is; TA=TE ÷ AIBT

Where:

TA = Tax Avoidance

TE = Total Tax Expenses

AIBT = Accounting Income Before Tax.

Model Specification

The study employed the multiple linear regression model to investigate the Implications of Income Management on Shareholders' Wealth in selected banks in Nigeria. The initial representation of the model is as follows:

Y = ß0 + ß1 + ß2 + ... + ß5 + £ ... (Equation 1)

Where: Y = Dependent Variable (Shareholders' Wealth) $ß_0$, $ß_1$, $ß_2$, ..., ßn = Regression coefficients

Where: EPS = Earnings per Share (Dependent Variable)

$ß_0$ = Alpha coefficient (The value of EPS when all the independent variables are zero)

IS = Income Smoothing EM = Earnings Management
TA = Tax Avoidance for independent variables (not explicitly mentioned in the provided information) £ = Model Error (residuals).
However, to test the competing views on the variables (Income Smoothing, Earnings Management, and Tax Avoidance), the researchers modified the multiple linear regression model as follows:
EPS = $ß_0$ + $ß_1$IS + $ß_2$EM + $ß_3$TA + £ ... (Equation 2)
£ = Model Error (residuals)
Researchers are engaged in comprehending the influences of Income Smoothing (IS), Earnings Management (EM), and Tax Avoidance (TA) on Earnings per Share (EPS). These factors (IS, EM, and TA) serve as the independent variables under investigation, aimed at gauging their effects on the dependent variable, EPS.
The alpha coefficient (ß0) signifies the baseline EPS value when all independent variables are held at zero, establishing a fundamental reference point for analysis. Notably, the specific coefficients of the regression (ß1, ß2, ß3) and their statistical significance will be ascertained through data analysis. This will facilitate the comprehension of the strength and direction of relationships between the independent variables (IS, EM, TA) and the dependent variable (EPS). Within the model, the error term (£) encapsulates the unexplained variation in EPS. This component is treated as a stochastic error, representing the portion of variance that the independent variables fail to account for.

Results/Data Analysis

Table 4.1 – Descriptive Statistics of the Variables in Industry Level Analysis which include Zenith Bank plc. and Union Bank plc.

	LIS	LEM	LTA	LEPS
Mean	-0.10307	17.72507265	-2.94988808	-0.104745236
Median	-0.10629	17.76155742	-2.5924943	-0.34120254
Maximum	3.912023	19.19103431	-1.5141277	2.00552586
Minimum	-4.09434	14.91078395	-4.6051702	-1.6607312
Std. Deviation	2.053345	1.026344715	0.994700279	1.574964828
Skewness	-0.12871	-0.928164255	-0.455969445	0.07747248
Kurtosis	-0.21592	1.276061951	-1.242786355	-2.10903327
Jarque-Bera	0.0668762	3.27871314	1.079156597	1.132011951
Probability	0.475473	0.603119	0.683987	0.005343
Sum	-2.06148	354.5015	-58.9978	-2.0949
Observations	20	20	20	20

The description of the variables using normality tests indicates that most of them exhibit negatively skewed distributions. Specifically, the skewness values of LEM (-0.928164255) and LTA (-0.455969445) are approximately one, suggesting that these data variables are close to normally distributed. However, the skewness of LIS (-0.12871) is less than one, indicating that this variable deviates from a normal distribution. Additionally, the skewness value for LEPS

(0.07747248) is positively skewed, suggesting that its distribution is skewed towards higher values. When examining kurtosis, the values for LEM (1.276061951), LIS (-0.215920, LTA (-1.242786355), and LEPS (-2.10903327) are all less than 3, which is an indicator of normal distribution. The kurtosis values further support the claim that these variables tend to follow a normal distribution. Furthermore, the Jarque-Bera statistics were employed to test the normality assumption. The Jarque-Bera probability values for LEPS, LIS, and LEM are not statistically significant since they are greater than 0.05 (5% significance level). This indicates that there is no strong evidence to reject the assumption of normality for these variables. On the other hand, the Jarque-Bera probability value for LTA is significant because it is less than 0.05, suggesting that this variable significantly deviates from a normal distribution. In conclusion, the analysis of skewness, kurtosis, and Jarque-Bera statistics indicates that most of the variables are approximately normally distributed, with the exception of LTA, which shows a significant departure from normality.

Table 4.2: Regression Analysis Result of the Variables in the Analysis which include Zenith Bank Plc and Union Bank Plc.

Variable	Coefficient	Std. error	t. statistics	Probability
LIS	0.117562	0.176542	0.665914	0.514953
LEM	0.322064	0.346761	0.928778	0.366805
LTA	0.890452	0.342983	2.596196	0.019491
C	-3.17451	6.660944	-0.47659	0.640101
R-squared	0.429964			
Adjusted R-squared	0.323082			
S.E. of regression	1.329465			
Sum squared residual	28.27965			
Log likelihood	1.767478			
F-statistic	4.0228			
Prob(F-statistic)	0.026101			

Discussion of Findings

The findings shown above are the outcome of a regression analysis that looked at how income management, tax avoidance, and income smoothing affect earnings per share in the context of Nigerian businesses. Hypothesis 1 (Ho1) posited that there would be no impact of Income Smoothing on Earnings Per Share. However, the regression analysis conducted in this study reveals a contrasting reality: Income smoothing practices exhibit a notable and negative influence on earnings per share. This implies that businesses' utilization of income-smoothing techniques detrimentally affects their reported earnings per share. These findings align with the research conducted by Abata (2014), which investigated the consequences of income smoothing on the performance of six manufacturing companies listed on the Nigerian stock exchange. Abata's study similarly discovered an absence of any statistically significant relationship between income smoothing and the performance of manufacturing enterprises. This raises the intriguing notion that the adoption of income-smoothing strategies might not invariably result in heightened performance. The outcomes of this study provide further substantiation to the conclusions drawn by Abata (2014), who scrutinized the effects of income smoothing on the operational effectiveness of six manufacturing companies listed on the Nigerian stock exchange. Abata's findings also indicated an absence of statistically noteworthy correlations between income smoothing and the performance of manufacturing firms. These collective findings accentuate the idea that the advantages of income smoothing may not consistently translate into enhanced performance.

H_{o2}: Earnings Management has no effect on Earnings Per Share.

The findings align with the outcomes of Athar's (2018) research, which examined the relationship between earnings management and a company's earnings per share. Athar's study successfully rejected the null hypothesis, demonstrating that there is no significant association between earnings management and a company's profitability, as indicated by their earnings per share. This suggests that, at least in terms of earnings per share, earnings management might not directly influence a company's overall profitability.

H_{o3}: Tax Avoidance has no effect on Earnings Per Share: Hypothesis three initially posited that there was no proof indicating that tax evasion has an impact on earnings per share. However, the conducted regression analysis presents a contrasting view, revealing a significant and advantageous connection between tax evasion and earnings per share. Consequently, companies employing tax avoidance tactics tend to display augmented earnings per share figures.

The comprehensive outcomes of the regression study underscore that tax avoidance engenders a positive influence on earnings per share, whereas practices like income smoothing and earnings management yield unfavourable consequences. These findings provide valuable insights into the potential repercussions of diverse financial approaches on the reported earnings per share within Nigerian companies. It is imperative to approach these findings with careful consideration, accounting for the distinct circumstances and regulatory frameworks under which these organizations operate.In forthcoming research, a more profound exploration into the underlying factors driving these dynamics would be beneficial, as well as an examination of their implications for various stakeholders involved.

Conclusion/Recommendations

The research findings regarding the impact of income smoothing and tax avoidance on earnings per share in Nigerian businesses are marked by contradictions. While the initial hypothesis indicated no noticeable effect of income smoothing on earnings per share, the actual analysis uncovered a significant negative influence. Similarly, hypothesis three suggested that tax avoidance does not have a significant effect on earnings per share, but the results showcased a meaningful and positive impact. These contradictions underscore the necessity for additional research aimed at unraveling the underlying reasons for these disparities. Furthermore, there is a need to delve into potential contextual elements that might wield an influence on these relationships. The outcomes underscore the significance of accounting for the distinct situations and regulatory frameworks in which Nigerian businesses operate. Various variables such as industry-specific traits, economic conditions, and governance practices could potentially shape the dynamics between financial strategies and earnings per share. Future studies should therefore embark on more context-sensitive investigations to acquire a holistic comprehension of how income management, tax avoidance, and income smoothing intersect within the Nigerian business landscape.

The study posits that the advantages of income smoothing and earnings management might not invariably translate into enhanced performance for Nigerian businesses. This revelation paves the way for further exploration into the intricate interplay between financial strategies and overall corporate performance. Researchers have an opportunity to examine alternative financial performance metrics beyond earnings per share, which could yield a more comprehensive understanding of how these strategies impact overall business outcomes.

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