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EFFECT OF CREATIVE ACCOUNTING PRACTICES ON THE PERFORMANCE OF NIGERIAN BANKS

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ABSTRACT

This study examines the effect of creative accounting practices on the performance of Nigerian banks. Specifically,it is aims at finding out the extent to which the intentional manipulations or omissions of amounts or disclosures in financial statements has a negative effect on beating analysts' forecasts about future banking performance in Nigeria and if the misreporting of assets and liabilities has a significant negative effect on attracting investors to Nigerian banks.The survey research design was employed. Primary data were obtained using questionaire designed in five-response options of Likert-Scale.The population of this study comprised all the bank managers and accountants in Nigerian banks while the sample of the study was made up of 50 managers and 303 accountants drawn from all the banks currently operating in the Enugu metopolis.. The findings reveal that the intentional manipulations or omissions of amounts or disclosures in financial statements has a significant negative effect on beating analysts' forecasts about future banking performance in Nigeria and (ii) the misreporting of assets and liabilities has a significant negative effect on attracting investors to Nigerian banks. Based on the above, the study recommends that creative accounting should not be practised in Nigerian banks.

KEYWORDS: Creative accounting, Banking performance, Nigeria

INTRODUCTION

Financial reporting is a crucial element necessary for corporate governance system to function effectively(Akenbor & Ibanichuka,2012).At the moment, accounting practices permit a degree of choice of policies and professional judgment while determining the method of measurement, criteria for recognition, and the definition of the accounting entity. The exercise of this choice could create room for a deliberate non-disclosure of information as well as manipulation of accounting figures – an exercise that could make the venture to appear to be more profitable (or less profitable for tax purposes) and financially stronger than it is actually supposed to be. Based on this practice, the users of accounting information often get misled . In the opinion of Akenbor and Ibanichuka (2012), this exercise certainly constitutes a threat not only to corporate investment but also business growth.

Previous studies show that creative accounting practices occur because management has the discretion to choose accounting principles while preparing financial statements. The several corporate failures reflect the lapses in the corporate accounting information disclosure practices among compqanies universally and particularly in Nigeria . This has had negative effects on the integrity of financial reporting as well as the audit profession. Other harmful effects of corporate scandals include massive loss of investors' fund, loss of jobs, disruption of capital market and reduction in the National Gross Domestic Product(GDP) of Nigeria.

Available records show that the list of recent cases of creative accounting practices appear to be growing as many more corporate bodies in Nigeria are being investigated. According to Akenbor and Ibanichuka (2012),the change of board members in Cadbury Nigeria was as a result of doctoring of accounts aimed

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at covering up some inadequacies or unscrupulous deals perpetuated by management. Also,the corporate failures of most Nigeria banks and the arrest of some banks Chief Executive Officers by the Economic and Financial Crimes Commission (EFCC) have been linked with a fraudulent financial reporting that has affected the stability of the financial system. The list of recent cases of creative accounting practices seems to be growing as many more corporate bodies in Nigeria are being investigated. Akenbor and Ibanichuka (2012) assert that the extent of window-dressing of the financial statements of Nigerian banks has seriously violated all known ethical standards of the accounting and auditing profession.

Most previous studies have focused mainly on the impact of creative accounting on investors‘ decisions in the stock market without highlighting the reasons for such practices. According to Akenbor and Ibanichuka (2012),most of the previous studies on creative accounting such as Sen and Inanga (2004), Domash (2002), Amat, Blake and Dowds (1999), Schiff (1993), and Alam (1988) are of foreign origin whose findings may not be compactible with the Nigerian situation considering environmental differences. Even the few available studies in Nigeria such as Osisioma and Enahoro (2006), Aremu and Bello (2004), did not pay much attention to the banking industry.Consquently, this study intends to add to the literature that would fill these existing gaps and to provide an empirical investigation of creative accounting practices in Nigerian banks. Specifically, the study aimed at achieving the following:To ascertain the extent to which the intentional manipulations or omissions of amounts or disclosures in financial statements has a negative effect on beating analysts' forecasts about future banking performance in Nigeria and (ii) if the mis-reporting of assets and liabilities has a significant negative effect on attracting investors to Nigerian banks. This study will contribute significantly to the existing body of knowledge as it attempts empirical examination of creative accounting practices in the Nigerian banks..

The rest of this paper is structured as follows:- Section 2 presents the review of the related literature; Section 3 discusses the methodology;Section 4 presents and analyzes of data while section 5 concludes the paper.

2.REVIEW OF THE RELATED LITERATURE

2.1 Conceptual Framework

2.1.1 Creative Accounting

The word creative entails innovation, unique ideas, skills and dynamism in ones endeavor.

On the other hand, the American Institution of certified Public accountants defined accounting as "the art of recording, classifying, and summarizing in terms of money, transportations and events which are, in part at least of a financial character, and interpreting the results thereof (Okafor 2003;3). According to Okoye and James(2020), the term creative accounting is considered as deceptive accounting, Akenbor and Ibanichuka (2012) affirm that it is widely employed to describe the accounting techniques which allow companies to report inaccurate financial results of their business activities. Creative accounting means using accounting knowledge to influence the reported figures, while at the same time remaining within the jurisdiction of accounting rules and laws. The intention is that instead of showing the actual performance or position of the company, the figures would reflect what the management wants to tell the stakeholders (Yadav, 2014). Creative accounting has also been defined byBankole, Ukolobi and McDubus (2018) as accounting the practices which follow the letter or rules of standard accounting practices but certainly deviate from the spirit of those rules. Eventhough creative accounting practices are immoral in terms of misguiding investors, they are different from fraudulent practices and thus are not illegal(Okoye and James,2020). Indicate that while according to Michael (2011) the wider US definition sees creative accounting as including fraud, the UK definition percieves creative accounting as using the flexibility within the accounting system, but which excludes fraud.

Creative accounting, as a matter of approach, is not objectionable per se. However, when unethical elements make intrusion, the resultant accounting details become anything but true and fair. Creativity in such context is like referring to a half glass of water as half-full instead of describing it as half- empty. While both statements are factually correct, they paint different pictures and thus convey different images. Creativity in company accounting may arise under at least three different financial market conditions. The first is when a company floats its shares to attract investors to subscribe to such shares either at par or at a premium, depending on the financial market evaluation of the company‘s future prospects. The second is when the company whose shares are already listed in a stock exchange, wants to paint an attractive picture of its financial conditions so that the shares may be quoted at a premium. Finally, a company having its shares listed in the stock exchange may declare and pay high dividends based on inflated profits through overvaluation of assets, undervaluation of liabilities and change in systems of stock valuation that may boost the image of the company at least in the short run. Unethical considerations in creative accounts have developed to such depths that terms like fraud audit and forensic accounting have gained

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currency and are becoming new professions. Accounting practitioners and auditors are increasingly required to appear in courts for deposition.
The term Creative Accounting is widely used to describe accepted accounting techniques which permit corporations to report financial results that may not accurately portray the substance of their business activities. Creative accounting is recognized as a synonym for deceptive accounting. Creative accounting methods are noteworthy because they remain in use as generally accepted accounting principles, even though they have been shown to be deceptive in many cases. Every company in United Kingdom[UK] is fiddling its profits; every set of published accounts is based on books which have been gently cooked or completely roasted.This deception is all in perfectly good taste; it is legitimate; it is creative accounting. According to Mulford and Comiskey (2002),creative accounting practices are grouped into five categories:
(i) Recognizing Premature/ fictitious revenue: This entails recognizing revenue for a legitimate sale in a period prior to that called for by the Generally Accepted Accounting Principles (GAAP).
(ii) Aggressive Capitalization and extended amortization: These are policies that companies employ to minimize expenses by aggressively capitalizing expenditures that should have been expensed or by amortizing capitalized amounts over extended periods.
(iii) Misreporting assets and liabilities: These include overstating assets that are not subject to annual amortization, such as accounts receivables, inventory and investments, and understating liabilities which may include accrues expenses payable, environmental claims and derivatives - related losses.
(iv)Intentional manipulations or omissions of amounts or disclosures in financial statements, fiddling with profits or losses in the income statement for deceit and fraudulent intentions.
(v) Ineffective and inaccurate recording of financial transactions (cash inflows and cash outflows in a business entity).
The real cause of creative accounting lies in the conflicts of interest among various interest groupsnnamely the managing shareholder interest to pay less tax and dividends investor shareholders interest to get more dividends and capital gains,the tax authorities' interest to collect more and more taxes and the employees' interest to get better salaries and higher profit shares. Ijeoma(2014) asserts that creative accounting puts one or two to an advantage at the expense of others. According to Schiff (1993), investors in general should not take a company's financial statements at face value could be a recipe for disaster. Given the negative consequences of creative accounting practices in any financial system, Domash (2002) suggests that financial statements which inflate the performance of companies by manipulating figures be stamped out because it makes it difficult for investors and other users of financial information to distinguish between the paper entrepreneurs onpaper and the truly successful entrepreneurs

2.,1,2 Creative Accounting Techniques

According to Amat, Blake and Dowds (1999) as cited in Aremu and Bello(2004) and Largay(2002) the opportunities or potentials for creative accounting may be found in the following principal areas:
i) Regulatory Flexibility: The accounting rules often permit a choice between different accounting methods.The international accounting standard for example, allows a company to choose between a policy of writing off development expenditure as it occurs and amortizing it over the life of the related project. A company can therefore choose the accounting policy that gives a preferred image;
ii) Management discretionary position: Certain entries in the accounts involve an unavoidable degree of estimation, judgment, and prediction. In some, cases, such as the estimation of an asset's useful life made in order to calculate depreciation, these estimates are normally made inside the business and the creative accountant has the opportunity to err on the side of caution or optimism in making the estimate. In order for instance for managers to obtain the financial position and stability they assumed they can decide to increase or decrease provision for bad debts.
iii) Artificial transactions are often entered into both to manipulate balance sheet amounts and to move profits between accounting periods. This is achieved by entering into two or more related transactions with an obliging third party, normally a bank. For example, supposing an arrangement is made to sell an asset to a bank then lease that asset back for the rest of its useful life. The sale price under such a sale and leaseback can be pitched above or below the current value of the asset, because the difference can be compensated for by increased or reduced rentals.
iv) Timing of Genuine transactions offers to the management the opportunity to increase the revenues when the operating profit is not satisfactory and to create the desired impression in the accounts. The existing stock of a company that has a significant higher value compared to the historic value may be sold only when the operating profit is not satisfactory.

2.1.3. Reasons for Creative Accounting

As cited in Ibanichuka Ihendinihu(2012) a number of notable studies such as Collingwood(1991) have investigated and given the reasons why entities seek to manipulate their accounts, to include the following amongst others:

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i) Income smoothing, borne out of the desire to report a steady trend of growth in profit rather than to show volatile profits with a series of dramatic rise and fall.
ii) Manipulating reported profit/earning to match profit forecast, another variant of income smoothing.*i.e.* to manipulate profit to tie it to forecasts.
iii) Income boosting Accounting Policy change, often made to distract attention from unwelcome news of the company's actual performance and ranking among peers.
iv) Boosting/maintaining share price, with the effect of reducing the apparent level of borrowing and creating the appearance of a good profit trend hence positioning the company at advantage position for new share issues and takeover bids.
v) Directors' insider dealings involving delay in release of information for the market, to enhance their opportunity to benefit from inside knowledge;
vi) Circumvent contractual rights, obligations and constraints, prevalent where companies are subject to various form of contractual rights, obligation and constraints based on the amount reported on the accounts;
vii) Avoid Government Regulations, by choosing accounting methods that tend to reduce their reported profits;
viii) Enhance Directors Bonus Scheme, where the scheme is linked to profit or the company's share price;
ix) Profit sharing arrangement may induce choice of accounting methods to minimize declared profit to reduce claim on the company;
x) Tax savings purposes, where taxable income is measured in relation to the accounting figures;
xi) Change in management with a motivation to shift responsibility for losses and poor performance to previous management.Amongst the basic reasons which make companies seek to manipulate the accountants as noted by Amat, et al. (1999) are as follows:
I)Income smoothing: Income smoothing is borne out of the desire to report s steady trend of growth in profit, rather than to shoe volatile profited with a series of dramatic rise and falls.
ii)Changes in accounting method: company directors may keep an income boosting accounting policy change in hand to control/ adjust during unfavorable conditions.
iii)Making reported earnings to profit forecast: a variant on income smoothing is to manipulate profit to tie forecasts. Fox (1997) reports on how accounting policies are designed within the normal accounting rules to match reported earnings to profit forecasts. The author posits that when huge sales are made, a large part of the profit is deferred to future years to cover potential upgrade. This makes future earning easy to predict.
iv)Boosting the market value of shares: creative accounting may help maintain or boost the share price both reducing the level of borrowing, so making the company appear subject to less risk, thus, creating the appearance of a good profit trend. This helps the company to raise capital from new share issues and resist take over by other company. Cooling wood (1991) claimed that creative accounting is being practiced particularly to enhance share prices.
v)Delaying market information: this usually happens when there are insider dealings. They use creative accounting to delay the release of information for the market, thereby enhancing their reporting to benefit from such dealings.
Other reasons for practicing creative accounting could be:
i)To circumvent contractual rights: obligations ad constraints; prevalent where companies are subjects to various forms of contractual rights, obligations, and constraints based on the amount reported on the account.
ii)Tax saving purposes where taxable income is measured in relation to the accounting figures.
iii)To enhance directors bonus scheme where the scheme is linked to profit on the company share price.

Origin of creative accounting

Kamau, Namusonge and Bichanga, (2016) claim that even though the accounting scholars have over the years carried out several researches to understand and address creative accounting, it is as old as the accounting profession itself; it is still considered as a problem, and it is expected tocontinues to be practiced by various companies. Balaciu and Vladu (2010) report that the ambition to make figures more or less appealing is as old as 500 years and Lucas Paciolo had shaped the practices of creative accounting in his book De Arithmetica. Venetian traders at those times are said to have recorded the transactions between themselves by double-entry bookkeeping with ink and quill-pen in the main and subsidiary books. Should there arise any inconsistencies, the inkwell was occasionally knocked over on these books in order to make entries illegible. This confirms that manipulative behaviour of trade or business people is an old phenomenon and goes back to centuries ago (Susmus & Demirhan, 2013).

2.1.4 Bank Failures/Distress in Nigeria

Bank failures and distresses are age long problem which have always played depository institutions. Each bank failure comes with liquidation problem, where the depositors and creditors to the bank suffer huge losses. As problems of bank failures increased, government regulations came to be handy, to protect

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unwary depositors and the economy at large, thereby preventing systemic abuse of the early bankers.

The history of financial distress in Nigeria Banking System dates back to 1930 when about 21 banks failure were recorded, prior to the establishment of the Central Bank of Nigeria in 1958, bank distress in Nigeria could be traced to the free banking era. Historically, before the indigenous banking crises of the 1950's there were only three bank failures- the industrial and commercial bank (1930), the Nigerian mercantile bank (1936) and the Nigeria Penny Bank in (1946). Between the ordinance years of 1952 to 1954, eighteen banks went to their early and untimely graves fall due to under-capitalization and unsound banking practices perpetrated by their operators. With each failure, the depositors usually bore the brunt of distress, suffering untold hardship and losing a reasonable or entire deposit. It was against this background that nationalist agitated for a Central Bank for Nigeria as a regulatory and supervisory body that could salvage the poorly staff and poorly capitalization indigenous bank threatened by the regulation not necessarily for liquidation activities. More damaging to these indigenous banks were section 5(2) and 6(2) of the ordinance, which gave the existing banks three years within which to comply with the provisions of the ordinance or discontinue banking business. Therefore, there was peace and stability in the banking sector until 1986, when under the pressure from the International Monetary Fund (IMF) and the World Bank, structural adjustment program (SAP) was launched as the official policy for Nigeria. The deregulation of the economy created risk and opportunities for the banks and there was increased competition among banks and also finance houses, which were a creation of government deregulation (Uche, 2000).

The identification of bank distress signals with eight banks occasioned by the liberalization and deregulation policies of the mid-1980's, coupled with the demands of the 1988 Basle Accord of Capital Adequacy for banks, culminated in triggering off the establishment of the Nigeria Deposit Insurance Corporation (NDIC) Decree of 1988

2.1.5 Accounting Standards and Creative Accounting

Accounting standards are set of accounting rules which are widely agreed upon and are imposed by the apex accounting regulatory body in the country. On September 9, 1982, the Nigerian accounting standard board was established to regulate standards and practices in the profession. They issued the statement of accounting standards (SAS). Currently the financial reporting Council of Nigeria (FRCN) which was signed into law on July 20, 2011 talks the place of the former.

The financial reporting council Nigeria is a unified independent regulatory body for accounting, auditing, actuarial, valuation and corporate governance. As such, compliance monitoring in these areas will be addressed from the platform of professionalism and legislation.

Unlike the NASB and resulting SAS, IASB issues IAS (now update of JFRS).

At this point, it is pertinent to state that these standards avails the management a degree of choices and judgment in preparation and presentation of financial statements. Today, professionals have been able to identify some 100holes in such standards from which they manipulate accounts.

2.2 THEORETICAL FRAMEWORK

Stelowy and Breton (2003) suggest some theoretical framework that will be necessary for the understanding the accounting manipulation practices.

2.2.1 Agency

According to Vladu and Madis (2010), agency theory is the dominant theory in the study of creative accounting. In legal entity, ownership is separated from management. The owners (shareholders) being the principal, employ managers (directors) as the agent to manage shareholders investments. Sydserff and Weetman (1999) explained that due to the conflict of interest between shareholders and the directors in the sharing of economic resources,directors are capable of engaging in opportunistic behaviour. Consequently, managers are not objective in preparing accounting statements in stewardship to the shareholders.This results in information asymmetry between principal and agent.Agency theory explains how best to b organize relationships in which one party determines the work while another party does the work. For example, in banks the principals are the shareholders of a company, delegating to the agent i.e the directors of the company, to perform task on their behalf Agency theory assumes both the principal and the agent are motivated self interests. This assumption of self-interest dooms agency theory to inherit conflicts. Thus, if both parties are motivated by self-interest, agents are likely to purse self interested objectives that deviated and even conflict with goals of the principal. Yet, agents are supposed to act in the self interest of their principals. The relationship that subsists between agency theory and creative accounting is usually a deceitful one. Shareholders are usually concerned with wealth maximization inform of dividends; while the directors interest is in profit maximization. It is a known fact that most shareholders are usually eager to receive dividends as frequent as possible without considering ploughing back such profits for expansion and subsequent increase in profits. In order not to start having frictions with them, the directors pay them such

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dividends out of capital which may lead to the eventual liquidation of the entity.

2.2.2 Information asymmetry theory

In the work of Schipper (1989), information theory is a key element underpinning the study of the creative accounting phenomenon, the issue of the existence of information asymmetry which exists in corporate structures between a privileged management and a more be move body of stakeholders. It is now left in the hands of managers to choose whether to exploit the other parties using their privileged position through making of private against, or not. This information perspective assures that assures that accounting disclosures have information content that posses value to stakeholders in providing useful signals. It is almost impossible for individual stakeholders to discern the fact and the effect accounting manipulation because of insufficient accounting skill or non-challenge towards embarking on a detailed analysis. Warfield, Wild and Wild (1995) carried out sample testing of information asymmetry hypothesis and found that a significant positive relationship exists between creative accounting and information asymmetry. Additionally, their results show that the greater the information asymmetry between managers and shareholders, the higher the likelihood the company is involved in creative accounting.

2.2.3 Stakeholders theory

This theory supports the statement that firms' financial statements are prepared in response to the demand and interest of various groups of stakeholders – employees, customers, government agencies, analysts etc. Managers are therefore under pressure to manipulate accounting figures with the aim of changing the perceptions of a given group of stakeholders.

2.2.4 Debt Covenant theory

The fundamental of this theory is that firms with huge debts have high incentive to indulge in creative accounting so as not to breach their debt covenants. , DeFond and Jiambalvo (1994) found that companies who may not fulfil debt covenants smooth income in the year before the violation through the use of accruals. This indicates that companies indulge in creative accounting to deter possible failure of debt covenants There are several theories underpinning the study of creative accounting practices. Nevertheless, this study is anchored on both agency and information theories

2.3 EMPIRICAL REVIEW

Osazevbaru (2012) examined creative accounting and firm's market value in Nigeria. The study concluded that many banks in Nigeria indulged in creative accounting by direct lending to shareholders to buy the bank's shares in order to sustain demand pressure to cause unabated price rise without appreciation in capital base.Additionally, Akenbor abdIbanichuka (2012) researched into the reasons for creative accounting practise in Nigeria banking sector and found out that the main reason is to raise market value of share. Sanusi and Izadonmi (2013) observed that reason the creative accounting in Nigerian commercial banks is to boost the market value of share.

Domash(2002) in a speech before members of the Australian Society of Accountants, stressed that financial statements, which inflate the performances of companies by manipulating figures (*i.e.* through creative accounting) shouldbe stamped out as it put the investor and other users of accounting information in great difficulties to distinguish between the paper entrepreneur and the truly successful entrepreneur. The message from this statement may nowbe stated to focus on the obvious effects of creative accounting: There are companies listed on the stock exchange, which show inflated profit and better financial position in their creative accounting statements to attractinvestors, this creation of accounts just misguides and creates confusion; some companies prospectus may not always depict the reality of the financial positions of the listed companies; processes adopted for created accounting statements may hold out untrue hopes to investors for a shorter period but cannot continue to succeed for a longer period; ultimately, the concerned companies listed in the stock exchange collapse and the investors lose confidence in them and stock market. A large number of literatures that viewed creative accounting from ethical perspective see it as fraud and therefore a challenge to the accounting profession. A study carried out by Amat, Blake and Dowds (1999) cited in Amat and Gowthorpe(2010) showed that accountants accept the ethical challenge that creative accounting raises need to be aware of the scope for both abuse of accounting policy and manipulation of transactions. Amat and Gowthorpe(2010) found two categories of manipulative behavior: macro manipulation that is the lobbying of regulators to persuade them to produce regulations that is more favourable to the interest of the preparers of accounts They found this to be pronounced in USA. The second one is the micro manipulation where the accounting figures are doctored to produce a bias view at the entity level. They observed this in large number in Spain. Both forms of behavior are morally reprehensible. Sen and Inanga(2005) found evidence of creative accounting by firms in Bangladesh which they traced to conflict of interest among different groups that the accountant wants to serve. Accounts are therefore prepared to serve the particular group the accountant wishes. They also found out that if creative accounting is practiced by any organization there is plenty of scope of manoeuvring and manipulation of accounting information, such manipulation might have the shareholders, public, the government and any interested party absolutely confused as to what is and what is not real and true in connection with a set of published accounting statements. They also stated that available evidence shows that the practice of creative accounting is global. Oluba (2009) cited in Osazevbaru(2012) observed that not a few banks in Nigeria are involved in creative accounting. He found that banks directly lend to stockbrokers to buy their own shares to sustain demand pressure thus causing continued price rise without corresponding appreciation in underlying values or fundamentals. Osisioma and Enahoro(2006) sought to find out whether financial accounting information users in Nigeria are aware of creative accounting in the private sector of the economy. They carried out their study in Lagos, through field work questionnaire administered on practicing accountants from randomly selected audit firms. They found out that creative accounting has definitely affected information users. Hence in Nigeria it is believed that the practice of creative accounting is constructive to the benefit of the manipulator of accounts. They also found out that the genuinely positive aspect of the corporation is presented in its fullest proportion to the public, while the area of weakness is played down in reporting in anticipation of correcting the weakness. They further revealed that accounting bases, principles and processes should be streamlined to reduce diversities of human judgments on accounting issues.

Akenbor and Ibanichuka (2012) carried out an empirical investigation of creative accounting practices in the Nigerian banking industry. To achieve the purpose of this study research questions were raised, hypotheses were formulated, and a review of related literature was made. The population of this study consisted of 25 managers and 25 accountants drawn from the twenty-five (25) recapitalized banks currently operating in the Federal Capital Territory (FCT) - Abuja. The survey method of research design was adopted and the primary method of data collection was employed. The major instrument used for generating the primary data was the questionnaire, which was designed in five-response option of Likert-Scale. The data generated for this study were analysed through mean scores while the stated hypotheses were statistically tested with Z-test. Findings reveal that) the major reason for creative accounting practices in Nigerian banks is to boost the market value of shares; users of accounting information are adversely affected by the practice of creative accounting;) accounting principles and rules should be streamlined to reduce diversities of professional judgment in financial reporting.

Ijeoma (2014) examined the effect of creative accounting on the Nigerian banking industry with the purpose of determining the motive behind the practice of creative accounting in the Nigerian banking industry, to ascertain whether creative accounting has contributed to banks' distress in Nigeria, and to examine measures that could curb the practice in the Nigerian banking industry. Primary source of data collection was employed in the study and statistical tools used to analyze the data were the Kruskal-Wallis test and the multiple bar chart analysis. The result of this study revealed that the major reason for creative accounting practices in the Nigerian banking industry was to inflate the operating costs to reduce exposure to taxes. It was further found that other key reasons for creative accounting practice in the Nigerian banking industry include: to help maintain or boost the share price by reducing the apparent levels of borrowing, making the company appear subject to less risk and of a good profit trend , to inflate the amount of operating costs in order to reduce exposure to taxes, to report a steady trend of growth in profit, rather than slow volatile profits with a series of dramatic rises and falls, and to effect changes in accounting policies in order to discourage findings faults in the company's accounting system. It was observed that that creative accounting has significant impact on banks distress in Nigeria. Sanusi and Izedonmi(2014) investigated the opinions of experienced staff of commercial banks on creative accounting practices in Nigerian commercial banks.The population of this study is made up of the staff of commercial banks currently operating in Nigeria. Quota sampling technique was adopted for this study. The sample used consisted of the most experienced/senior 42 Managers/Assistant Managers and 42 Accountants/ Assistant Accountants drawn from the twenty-one (21) consolidated commercial banks head office branches in Lagos state. The survey method of research design was adopted and primary data were employed. The major instrument used for generating the primary data was the questionnaire, which was designedin five-response option of Likert-scale and administered on senior branch Managers/Assistant Managers and Accountants/Assistant Accountants of the commercial banks chosen for this study. The data generated for this study were analyzed through mean scores while the stated hypotheses were statistically tested with Z-test. Findings show that, the major reason for creative accounting practices in Nigerian commercial banks is to increase the market value of shares.Also the users of accounting information are adversely affected by the practice of creative accounting. The study also found that streamlining accounting principles and rules to reduce diversities of professional judgment in financial reporting will help minimize creative accounting practices.

Adetoso and Ajiga (2017) examined creative accounting practices among Nigeria listed commercial banks: curtailing effects of IFRS. Specifically, it examined the effect of IFRS recognition, IFRS measurement and IFRS disclosure requirements on creative accounting practices. The population of the study comprised all the fifteen (15) listed commercial banks as at July, 2016, located in Akure, Ondo State. Simple random sampling technique was adopted to select the sample size of ten (10) listed commercial banks, out of the fifteen (15) listed in Nigeria Stock Exchange (NSE). The study employed primary data obtained through questionnaire that was administered to 98 respondents of the ten (10) sampled listed commercial banks. The primary data were analysed using quantitative approach through Statistical Package for Social Science (SPSS)- Version 21 software. The formulated hypotheses were tested with the Multiple Regression Model method. Findings show that in (Ho1) P-value (0.000) < **α**(38.342) and F-value (38.342) > the critical value F* (2.829), hence, the hypothesis is rejected. Additionally, it was observed from hypothesis two (Ho2), that the P-value (0.004) < **α** (32.871) and F-value (32.871) > the critical value F* (2.829). This means that the hypothesis is also rejected. In respect of hypothesis three (Ho3), the Pvalue (0.001) < **α** (42.717) and F-value (42.717) > value F* (2.829) .This is an indication that the hypotheses cannot be accepted. The study, therefore, concludes that compliance with IFRS recognition, measurement and disclosurerequirements each has significant effects on curtailing creative accounting (manipulation of assets and equity values, income and expenses figures and non-timely recognition of losses) practices among Nigeria listed commercial banks. Yousif and Ismae.(2017) sought to shed light on the impact of creative accounting ethics techniques on the reliability of financial reporting from auditors and academics point of view. The data were collected through a well-structured questionnaire and distributed to a randomly chosen sample of certified auditors and accounting instructors in some universities. Descriptive and inferential statistics were used to generalize the results and conclude the findings. The result shows that creative accounting techniques used by management negatively affect the reliability of financial reporting. Detoso and Ajiga(2017) examined creative accounting practices among Nigeria listed commercial banks: curtailing effects of IFRS. Specifically, it examined the effect of IFRS recognition, IFRS measurement and IFRS disclosure requirements on creative accounting practices. The population of the study comprised of all the fifteen (15) listed commercial banks as at July, 2016, located in Akure, Ondo State. Simple random sampling technique was adopted to select the sample size of ten (10) listed commercial banks, out of the fifteen (15) listed in Nigeria Stock Exchange (NSE). The study made use of primary data obtained through questionnaire administered to 98 respondents of the ten (10) sampled listed commercial banks. The said primary data was analysed using quantitative approach through Statistical Package for Social Science (SPSS)-Version 21 software. The formulated hypotheses were tested using Multiple Regression Model method. Result shows that in (Ho 1) P-value (0.000) the critical value F * (2.829), hence, the hypothesis is rejected. Additionally, it was observed from hypothesis two (Ho 2), that the P-value (0.004) the critical value F * (2.829). This means that the hypothesis is also rejected. In respect of hypothesis three (Ho 3), the P-value (0.001) value F * (2.829) .This is an indication that the hypotheses cannot be accepted. The study, therefore, concludes that compliance with IFRS recognition, measurement and disclosure requirements each has significant effects on curtailing creative accounting (manipulation of assets and equity values, income and expenses figures and non-timely recognition of losses) practices among Nigeria listed commercial banks. It was therefore recommended that each bank should continue to educate, train and re-train their staff to refresh their knowledge on application of IFRS requirements and on emerging issues on IFRS. Okoye and James(2020) empirically examined the impact of creative accounting techniques on firm financial performance of firms. Creative accounting was measured by asset structure (Using Cookie Jar Reserves), capital structure (Creative Acquisition Accounting), deposit liabilities (Manipulating Inventory), loan structure (Abuse of Materiality Concept). Exposit facto research design was employed. Data were collected from Nigeria Securities and Exchange Commission on listed commercial banks in Nigeria from 2008-2018. Descriptive analysis and ordinary least square were adopted for analysis. Findings from the analysis reveal that asset structure and equity capital are negatively and insignificantly related to return on asset; Loans and advances is positively and insignificantly related to its returns on assets while Total deposit liabilities is positively and insignificantly related to return on assets. However, it can be concluded that banks asset structure and management in Nigeria has been poor and their assets have not been effectively used to enhance their profitability.

3. METHODOLOGY

The study was to examine the effect of creative accounting on the banking industry with particular reference to Access Bank Plc.

3.1 Reserch design
The survey research design was employed. Primary data were obtained using questionaire designed in five-response options of Likert-Scale.

3.2 Population and sample of the study
The population of this study comprised all the bank managers and accountants in Nigerian banks while the sample of the stdy was made up of 50 managers and 303 accountants drawn from all the banks currently operating in the Enugu metopolis.

3,3 Validity of the instrument
The validity of the instrument was tested using content analysis and the result was good. The reliability was tested using the Pearson correlation coefficient (r). It gave a reliability co-efficient of 0.79 which was also good. With a sample size of 353, the mathematical validity of ANOVA is "robust" even in the face of violations of normality assumptions if there is an adequate sample size.The rule of thumb is that a sample whose size is greater than or equal to 308 is considered to be large enough(Sawyer,2017).

4. Data presentation and Analysis
The hypotheses were analyzed using f-statistics (ANOVA) technique. And F-statistic.

4.1. Goodness of Measures
The study employed Chi-square Test and Cronbach's alpha test were conducted to examine the relationships among variables by using the SPSS 24.0 version. The results of the statistics analyses are described as follows

4.2. Tests for Response Bias
A test of response bias has been carried out confim the absence of systematic response bias (Armstrong & Overton, 1977). To determine whether non-response bias was presented in the study, accountant respondents were compared with bank manager respondents in the survey.

4.3 Test reliability
This study used Cronbach's alpha. According to Hair,Anderson, Tatham and Black (2010), the lower limit for Cronbach's alpha is 0.70. The results of the reliability analysis confirmed that all the items display a satisfactory level of reliability (Cronbach's alpha exceed the minimum value of 0.70). Therefore, it can be concluded that the measures have an acceptable level of reliability.

4.4 Summary of responses
The rsponses to the questionaire are summarized in tables 4.1 and 4.2

Table 4.1 Responses on the effect of manipulating the off-balance sheet financing items on beating analysts' forecasts about future banking performance in Nigeria

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	77	21.8	21.8	21.8
	Agree	177	50.1	50.1	72.0
	Neutral	65	18.4	18.4	90.4
	Disagree	29	8.2	8.2	98.6
	Strongly disagree	5	1.4	1.4	100.0
	Total	353	100.0	100.0	

From table 4.1, 77 respondents representing 21.8 percent strongly agree that creative accounting practices helps in achieving a better financial position in the financial statements. 177 respondents representing 50.1 percent agree, 65 respondents representing 18.4 percent were neutral, 29 respondents representing 8.2 percent disagree while 5 respondents representing 1.4 percent strongly disagree.

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EPRA International Journal of Research and Development (IJRD)
Volume: 5 | Issue: 9 | September 2020 - Peer Reviewed Journal

Table 4.2 Responses on the effect of Increasing or maintaining the level of capital in Nigerian Banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	101	28.6	28.6	28.6
	Agree	127	36.0	36.0	64.6
	Neutral	32	9.1	9.1	73.7
	Disagree	46	13.0	13.0	86.7
	Strongly disagree	47	13.3	13.3	100.0
	Total	353	100.0	100.0	

From table 4.1, 101 respondents representing 28.6 percent strongly agree that creative accounting practices contributein preventing bank failure in Nigeria. 127 respondents representing 36.0 percent agree, 32respondents representing 9.1 percent were neutral, 46 respondents representing 13.0 percent disagree while 47respondents representing 13.3 percent strongly disagree.

4.5 Hypotheses tests

4.5.1 Hypothesis One.

H_0 : The intentional manipulations or omissions of amounts or disclosures in financial statements has no significant negative effect on beating analysts' forecasts about future banking performance in Nigeria

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.893	.892	.16980

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	83.615	4	20.904	724.975	.000[b]
	Residual	10.034	348	.029		
	Total	93.649	352			

Statistical criteria {first order test}

Coefficient of multiple determinants {r^2}

The R^2 {R-Squared} which measures the overall goodness of fit of the entire regression, shows the value as .893 and adjusted to .892. This means that R^2 accounts for 89.3 percent approximately 89 percent. This indicates that the independent variables accounts for about 89 percent of the variation in the dependent variable. Which shows goodness of fit? From the result, f-calculated {724.975} is greater that the f-tabulated {2.7858}, that is, f-cal> f-tab. Hence, we reject the null hypothesis {H0} and accept Alternative hypothesis which means that the overall estimate has a good fit which also implies that our independent variables are simultaneously significant. We now conclude from the analysis that the intentional manipulations or omissions of amounts or disclosures in financial statements has a significant negative effect on beating analysts' forecasts about future banking performance in Nigeria.

4.5.2 Hypothesis Two

H_0 : (ii) The misreporting of assets and liabilities has no significant negative effect on attracting investors to Nigerian banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.943[a]	.889	.888	.17595

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EPRA International Journal of Research and Development (IJRD)
Volume: 5 | Issue: 9 | September 2020 - Peer Reviewed Journal

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	86.650	4	21.663	699.755	.000[b]
	Residual	10.773	348	.031		
	Total	97.423	352			

Statistical criteria {first order test}
Coefficient of multiple determinants {r^2}

The R^2 {R-Squared} which measures the overall goodness of fit of the entire regression, shows the value as .889 and adjusted to .888. This means that R^2 accounts for 88.8 percent approximately 89 percent. This indicates that the independent variables accounts for about 89 percent of the variation in the dependent variable. Which shows goodness of fit? From the result, f-calculated {699.755} is greater that the f-tabulated {2.7858}, that is, f-cal> f-tab. Hence, we reject the null hypothesis {H0} and accept Alternative hypothesis which means that the overall estimate has a good fit which also implies that our independent variables are simultaneously significant. We now conclude from the analysis that the misreporting of assets and liabilities has a significant negative effect on attracting investors to Nigerian banks increasing or maintaining the level of capital has a significant negative effect on attracting investors to Nigerian banks.

4.6 DISCUSSION OF FINDINGS

The creative accounting techniques used by management have a negative effect on the performance of Nigerian banks For the relationship between the measures of creative accounting techniques and those related to bank performance, inferential statistics shows that there is a significant negative interaction between predictors and the dependent variables, This result is emphasized by (Fizza and Qaisar, 2015; Alomery and Alameen, 2014); who conclude that there is a negative effect of creative accounting techniques on the quality of financial reporting. The results of this study have theoretical and practical implications that could be of interest for directors, auditors, accounting profession, regulators, and who in charge in governance. the study provide a framework creative accounting techniques that negatively affect the reliability of financial reporting. This study practically contributes to the accounting profession ethics literature by investigating the importance and effect of exercising ethical standards on the reliability of financial reporting.

5. Conclusion

This study examined the effect of creative accounting on the Nigerian banking industry. The result of this study reveal that the major reason for creative accounting practices in the Nigerian banking industry is to inflate the operating costs to reduce explosive to taxes. It was further found that the major reasons for creative accounting practice in the Nigerian banking industry are: (a) to help maintain or boost the share price by reducing the apparent levels of borrowing, making the company appear subject to less risk and of a good profit trend , (b) to inflate the amount of operating costs in order to reduce exposure to taxes, (c) to report a steady trend of growth in profit, rather than slow volatile profits with a series of dramatic rises and falls and (d) to effect changes in accounting policies in order to discourage findings faults in the company's accounting system. In addition, result showed that creative accounting has significant effect on banks distress in Nigeria Based on the findings of the present study the following recommendation were made: (a) creative accounting should be considered a serious crime and accounting bodies and other regulatory authorities need to adopt strict measures to stop these practices and duly punish the offenders; (b) accountants in Nigeria banks and other sectors in general, should hold high ethical standards and maintain integrity in all their professional dealings. They need to ensure that the accounting profession rests on ethical principles and value, commanding national and international respect, stopping the unscrupulous practice of creative accounting; (c) this study advocates for the introduction of forensic accounting practice which can serve as an investigative function and experts witnessing in the Nigerian banking industry.

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