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EFFECT OF SELECTED CORPORATE CHARACTERISTICS AND EARNINGS MANAGEMENT OF LISTED INSURANCE COMPANIES IN NIGERIA

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ABSTRACT

This study examines the impact of firm-specific attributes—firm size, leverage, and profitability—on earnings management among listed insurance companies in Nigeria. Adopting a longitudinal research design, the analysis spans a 10-year period (2014–2023) and utilizes panel data regression techniques. Earnings management is measured using discretionary accruals estimated through the Jones Model, while firm size, leverage, and profitability are represented by the natural logarithm of total assets, the debt-to-assets ratio, and return on assets (ROA), respectively. Findings reveal that firm size and profitability have a significant negative effect on earnings management, while leverage does not exhibit a statistically significant influence. Based on these results, the study recommends that the National Insurance Commission (NAICOM) enhance its monitoring of highly leveraged firms to ensure compliance with solvency requirements and mitigate earnings manipulation risks. Additionally, regulators should promote transparency in financial reporting, particularly for firms facing declining profitability, through stricter disclosure policies and enforcement measures.

KEYWORDS: - Earnings Management, Firm Size, Leverage, Profitability.

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INTRODUCTION

The study of earnings manipulation through discretionary accruals has gained attention following major corporate scandals that have disrupted financial markets. Cases such as Enron (2001), WorldCom (2002), and Wire card (2020) exposed critical weaknesses in corporate governance, financial reporting, and oversight. These scandals involved deliberate financial misrepresentation, often facilitated by weak internal controls, ineffective audits, and opportunistic management behavior (Mnif & Slimi, 2024). Similar concerns exist in Nigeria, as seen in high-profile financial scandals. The 2023 Pension Funds Scandal, where operators were accused of fraud and financial mismanagement, highlights systemic weaknesses in corporate transparency and accountability. While primarily affecting pension funds, this case reflects broader financial reporting challenges impacting sectors such as insurance (Bello et al., 2024).

Firm specific attributes play a vital role in shaping managerial decisions and influencing earnings management practices. These attributes evolve over time, impacting both internal financial strategies and external disclosures. Key factors such as firm size, leverage, and profitability significantly affect earnings manipulation tendencies. Larger firms, under greater regulatory and investor scrutiny, may be less inclined to manipulate earnings, yet their complexity and resources can enable sophisticated financial misrepresentation if governance is weak (Odokwo et al., 2024). Similarly, highly leveraged firms may adjust financial reports to meet debt covenants or prevent default, sometimes employing real earnings management techniques (Tanko, 2023). Profitability also influences earnings manipulation, with less profitable firms more likely to engage in such practices to enhance their financial outlook (Ammer & Pantamee, 2024). While previous research has examined earnings management in banking, non-financial, and consumer goods sectors (Bello et al., 2024; Odokwo et al., 2024; Akosile & Tapere, 2024), limited studies have focused on Nigeria's insurance industry. Given its reliance on actuarial estimates and reserve calculations, financial reporting challenges in the insurance sector differ from those in other industries. This study aims to bridge this gap by analyzing the impact of firm-specific attributes on earnings management among listed Nigerian insurance companies.

LITERATURE REVIEW

Conceptual Framework

Earnings Management

Earnings management is a complex practice with multiple definitions, reflecting its diverse applications and ethical concerns. Bansal (2024) defines it as the deliberate use of accounting techniques or operational decisions to influence financial reports, including accrual-based and real activities manipulation. Utomo (2024) highlights managerial discretion in shaping financial outcomes, particularly in weak governance environments. Odokwo et al. (2024) emphasize intentional financial reporting interventions to achieve specific objectives, often reducing transparency. Mnif and Slimi (2024) describe it as firms adjusting earnings through discretionary accruals or operational changes to meet expectations. Akosile and Tapere (2024) define it as the strategic manipulation of financial statements to influence stakeholder perceptions. Common themes include managerial discretion, stakeholder expectations, accrual-based and real activities manipulation, and ethical concerns over transparency.

Firm Specific Attributes

Firm-specific attributes are characteristics inherent to a company that influence its decision-making processes, operational strategies, and financial reporting practices. These attributes play a critical role in shaping the propensity for earnings management, as they determine the incentives, constraints, and opportunities available to management.

Firm Size

Firm size, typically measured by total assets or revenue, influences earnings management due to its operational scale and regulatory scrutiny. Larger firms face greater oversight from investors, analysts, and regulators, which can deter earnings manipulation by strengthening governance structures (Odokwo et al., 2024). However, their complexity, diverse business segments, and financial transactions provide more opportunities for managerial discretion in reporting (Tanko, 2023). With access to advanced accounting systems and expert personnel, larger firms may engage in intricate earnings management, including real activities manipulation and accrual-based adjustments (Odokwo et al., 2024). In the insurance sector, actuarial estimates and reserve calculations create opportunities for subtle earnings adjustments without detection. Market dominance also allows firms to negotiate favorable terms with auditors and regulators, weakening oversight mechanisms (Mnif & Slimi, 2024). While some studies suggest a negative relationship between firm size and earnings management (Akosile & Tapere, 2024), others highlight that large firms can exploit their complexity to manipulate earnings (Mnif & Slimi, 2024; Tanko, 2023). Based on the discussion above, the following null hypothesis is proposed:

H₀₁: firm size has no significant effect on earnings management among listed insurance companies in Nigeria.

Leverage

Leverage, the ratio of debt to equity financing, significantly impacts earnings management. Highly leveraged firms often face pressure to meet debt covenants and maintain investor confidence, increasing the likelihood of earnings manipulation. To comply with stringent financial ratios set by creditors, firms may accelerate revenue recognition, defer expenses, or adjust accruals (Tanko, 2023). In the insurance sector, firms may manipulate reserve estimates to temporarily boost reported profits (Odokwo et al., 2024). Additionally, high-leverage firms may use earnings management to secure financing or maintain credit ratings, reassuring investors amid competitive pressures (Bansal, 2024). However, some studies suggest that strong governance and regulatory oversight deter earnings manipulation, even in highly leveraged firms (Bello et al., 2024; Akosile & Tapere, 2024). Reputation concerns also discourage earnings management, as financial credibility is vital for sustaining investor trust (Utomo, 2024). Based on the discussion above, the following null hypothesis is proposed:

H₀₂: Leverage has no significant effect on earnings management among listed insurance companies in Nigeria.

Profitability

Profitability, measured through metrics like ROA, ROE, and net profit margin, plays a crucial role in earnings management. While profitable firms have fewer incentives to manipulate earnings, loss-

making or marginally profitable firms often resort to earnings management to meet expectations or avoid negative consequences (Ammer & Pantamee, 2024). Declining profitability can lead to reduced investor confidence and increased regulatory scrutiny, prompting firms to adjust revenue recognition or defer expenses to maintain financial stability (Tanko, 2023). In the insurance sector, firms may manipulate reserve estimates to offset rising claims payouts. However, profitable firms with strong governance structures tend to avoid earnings manipulation due to reduced pressure and heightened transparency expectations (Bello et al., 2024; Akosile & Tapere, 2024). Such firms often prioritize accurate reporting to sustain long-term trust with stakeholders (Odokwo et al., 2024). Based on the above, the following null hypothesis is proposed:

H₀3: Profitability has no significant effect on earnings management among listed insurance companies in Nigeria.

EMPIRICAL REVIEW

Odokwo et al. (2024) conducted a panel data regression analysis using discretionary accruals as a proxy for earnings management, employing the Jones Model to calculate abnormal accruals. The study focused on listed non-financial firms in Nigeria over a 10-year period, examining firm size, leverage, and profitability as independent variables. Their findings revealed that larger firms exhibited lower levels of earnings management due to increased scrutiny, while highly leveraged firms were more prone to manipulation. Profitability had a negative relationship with earnings management. While the use of panel data provides robust results, the study's focus on non-financial firms limits its applicability to other sectors, such as insurance, where financial reporting is more complex.

Bello et al. (2024) utilized multiple regression analysis to investigate the effect of board attributes on earnings management among listed deposit money banks in Nigeria. They measured earnings management using the modified Jones Model and analyzed board independence, board size, and audit committee effectiveness as independent variables. The study found that higher board independence and effective audit committees significantly reduced earnings management practices. Larger and more leveraged banks showed a higher propensity for manipulation. Although the study highlights the importance of governance mechanisms, it does not explore the moderating role of external factors like regulatory oversight or market conditions, which could influence the relationship between governance and earnings management.

Mnif and Slimi (2024) employed cross-sectional analysis to examine how auditor attributes affect earnings management among African banks. Discretionary accruals were used as the dependent variable, while auditor tenure, auditor independence, and audit firm size served as independent variables. The study concluded that audit quality played a critical role in reducing earnings management, with larger audit firms and longer auditor tenure associated with lower levels of manipulation. While the study effectively highlights the importance of audit quality, its reliance on cross-sectional data may limit the ability to capture dynamic changes in earnings management practices over time.

Tanko (2023) applied structural equation modeling (SEM) to analyze the moderating effect of real earnings management on the relationship between financial attributes (leverage, profitability) and

tax planning among listed manufacturing firms in Nigeria. The study found that leverage positively influenced real earnings management, which in turn affected corporate tax planning strategies. Profitable firms were less likely to engage in aggressive tax planning. The study's focus on real earnings management adds depth to the understanding of earnings manipulation; however, its exclusive focus on manufacturing firms may not be generalizable to other industries, including insurance, where accrual-based manipulation might be more prevalent.

Akosile and Tapere (2024) conducted a panel data regression analysis to examine the relationship between firm attributes (firm size, leverage, profitability) and earnings management among listed consumable goods companies in Nigeria. Using the Dechow and Dichev model to estimate discretionary accruals, the study found that larger firms showed lower levels of earnings management, while high-leverage firms engaged in more manipulation. Profitability had a negative relationship with earnings management. While the study provides valuable insights into the Nigerian context, its focus on consumable goods companies may not fully capture the unique challenges faced by firms in other sectors, such as insurance, where actuarial estimates play a significant role.

Utomo (2024) employed logistic regression analysis to explore the influence of corporate attributes, governance practices, and audit quality on earnings management among Indonesian firms. Using modified Jones Model accruals as a proxy for earnings management, the study found that larger firms with strong governance structures and high-quality audits exhibited lower levels of manipulation. Leverage positively influenced manipulation, while profitability had a negative effect. The study's broad scope across various firm attributes is commendable, but its reliance on self-reported data from annual reports may introduce bias, particularly in contexts where earnings management is prevalent.

Alrobai et al. (2025) used hierarchical multiple regression analysis to examine the drivers of earnings quality in emerging stock markets, focusing on firm size, leverage, profitability, and ownership concentration. The study found that larger firms with dispersed ownership structures demonstrated higher earnings quality, while leverage negatively impacted earnings quality, and profitability improved it. The study's focus on emerging markets provides valuable insights, but its exclusion of industry-specific factors may overlook sectoral nuances, such as those present in the insurance industry.

Ammer and Pantamee (2024) conducted path analysis to examine the mediating role of earnings management in the relationship between audit quality and firm value among Saudi Arabian manufacturing firms. Using discretionary accruals as a proxy for earnings management, the study found that high audit quality reduced manipulation, improving firm value. Larger firms with stable profitability showed better outcomes. While the study highlights the link between audit quality and firm value, its focus on manufacturing firms may not fully apply to other sectors, such as insurance, where financial complexity requires specialized auditing expertise.

Bansal (2024) performed a meta-analysis of 150 studies published over three decades to analyze trends and drivers of earnings management across industries and regions. The study reviewed

various methodologies, including discretionary accruals, real earnings management, and market-based measures. It found that accrual-based manipulation declined over time due to stricter regulations, while real earnings management became more prevalent. Firm size, leverage, and profitability consistently influenced earnings management practices. The meta-analysis provides a comprehensive overview of earnings management trends but lacks depth in exploring the underlying mechanisms driving these trends, particularly in specific industries like insurance.

Al-Twaijry et al. (2023) conducted fixed-effects panel regression to examine the role of corporate governance in mitigating earnings management among firms in Gulf Cooperation Council (GCC) countries. Using discretionary accruals calculated with the Kothari et al. (2005) model, the study found that strong governance mechanisms, particularly board independence and institutional ownership, significantly reduced earnings management. Larger firms with robust governance structures exhibited lower levels of manipulation. The study effectively highlights the importance of governance mechanisms but does not account for external factors like economic conditions or regulatory environments, which could also influence earnings management practices.

THEORETICAL FRAMEWORK

Positive Accounting Theory (PAT), developed by Watts and Zimmerman (1986), provides a foundation for analyzing earnings management by examining incentives and constraints within organizations. PAT's political cost hypothesis suggests that larger firms, due to their visibility and regulatory scrutiny, are less likely to engage in aggressive earnings manipulation, whereas smaller firms may have greater discretion to do so (Odokwo et al., 2024). However, larger firms' complexity and resources may enable sophisticated earnings management despite heightened oversight. PAT also highlights profitability as a key factor influencing earnings management, predicting that profitable firms have fewer incentives to manipulate earnings, while struggling firms may resort to earnings management to mask poor performance (Tanko, 2023). For instance, an insurer with declining profits might adjust reserve estimates or defer expenses to present better financial results. Moreover, PAT acknowledges that accounting choices impact stakeholders, leading managers to adopt strategies that align with their interests, even if they diverge from strict accounting standards (Ammer & Pantamee, 2024).

METHODOLOGY

This study utilized a longitudinal research design, which involves repeated observations of the same variables over an extended period. This approach is particularly suitable for examining the relationship between firm-specific attributes (firm size, leverage, profitability) and earnings management practices among listed insurance companies in Nigeria.

Population, Sample and Sampling Techniques

The population of the study comprised all the listed insurance companies quoted on the Nigeria Exchange Group (NGX) as at 31 December, 2024. According to the NGX Fact Book (2024), there are twenty-two (22) quoted insurance companies in Nigeria.

Table 1 Population of the Study

S/no	Names of insurance companies
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1.	Alliance Insurance PLC
2.	AIICO Insurance PLC
3.	AXA Mansard Insurance PLC
4.	Consolidated Hallmark Insurance PLC
5.	Cornerstone Insurance PLC
6.	Coronation Insurance PLC
7.	Gold lank Insurance PLC
8.	Guinea Insurance PLC
9.	Lasaco Assurance PLC
10.	Linkage Assurance PLC
11.	Mutual Benefits Assurance PLC
12.	NEM Insurance PLC
13.	Niger Insurance PLC
14.	Prestige Assurance PLC
15.	Regency Assurance PLC
16.	Sovereign Trust Insurance PLC
17.	STACO Insurance PLC
18.	Standard Alliance Insurance PLC
19.	SUNU Assurance Nigeria PLC
20.	Universal Insurance PLC
21.	VERITAS Capital Assurance PLC
22.	International Energy Insurance PLC

Sources: NGX Website

Census sampling technique was used. The entire population is taken into account in view of the fact that the size is relatively small. In addition, all the data needed for the study are available. The data for this study are entirely secondary in nature. The secondary data were extracted from the annual reports and accounts of the insurance companies over a period of ten years (2014–2023). This timeframe was carefully selected to ensure that the study captures a sufficiently long horizon to analyze trends and relationships while accounting for significant regulatory and governance changes during this period.

Technique for Data Analysis and Model Specification

To establish the relationship between the variables under investigation, panel regression analysis was employed. This technique is particularly suitable for analyzing datasets that combine cross-sectional and time-series dimensions, making it ideal for this study, which examines listed insurance companies over a ten-year period (2014–2023).

Model Specification

The empirical model for this study is specified as follows:

$$EM_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 PROF_{it} + \epsilon_{it}$$

Where:

EM: Earnings Management

FS: Firm Size

LEV: Leverage

PROF: Profitability

ε_{it}: Error term, capturing random variations not explained by the model.

i denotes the individual insurance company, and t represents the time period (year).

Variables	Measurement	Authors
Earnings Management (EM)	Discretionary accruals calculated using the Jones Model or its modified versions	Akosile & Tapere (2024)
Firm Size (FS)	Natural logarithm of total assets (ln(Total Assets))	Odokwo et al. (2024)
Leverage (LEV)	Ratio of total debt to total assets (Total Assets/Total Debt)	Mnif & Slimi (2024)
Profitability (PROF)	Return on assets (ROA), calculated as net income divided by total assets (Total Assets/Net Income)	Ammer & Pantamee (2024)

Source: Researcher's Compilation, 2024

RESULTS AND DISCUSSION

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. dev.	Min	Max
em	220	.1527942	.0757677	.0625	.5
fs	220	7.057396	.2623516	6.5965	7.90377
lev	220	.441851	.2023053	.089271	.928887
prof	220	.1994429	.1469749	-.1818182	.6444445

Source: Output of data analysis using Stata 17

The descriptive statistics reveal key characteristics of the study variables. Earnings management (EM), measured by discretionary accruals, has a mean of 0.1528 with a standard deviation of 0.0758, indicating moderate manipulation across 220 observations. Some firms engage in minimal manipulation (0.0625), while others exhibit higher levels (0.5000), likely due to firm-specific factors. Firm size (FS), calculated as the natural logarithm of total assets, averages 7.0574 with a low standard deviation of 0.2624, suggesting most firms are medium to large in size (range: 6.5965 to 7.9038), reducing concerns about extreme outliers. Leverage (LEV), measured as total debt to total assets, has a mean of 0.4419, showing that firms finance about 44% of their assets through debt. The high standard deviation (0.2023) and wide range (0.0893 to 0.9289) indicate varied capital structures, which may influence earnings management strategies. Profitability (PROF), represented by ROA, averages 0.1994, reflecting a 19.94% return on assets. However, its high standard deviation (0.1470) and broad range (-0.1818 to 0.6444) indicate significant variation, with some firms incurring losses while others achieve strong profitability, affecting their incentives for earnings management.

Table 2: Correlation Matrix Table

	em	fs	lev	prof
em	1.0000			
fs	-0.1588	1.0000		
lev	0.1289	0.1502	1.0000	
prof	-0.0720	-0.0334	-0.2213	1.0000

Source: Output of data analysis using Stata 17

The correlation matrix highlights the relationships among earnings management (EM), firm size (FS), leverage (LEV), and profitability (PROF). The correlation between EM and FS is -0.1588, indicating a weak negative relationship, suggesting that larger firms engage in slightly less earnings management due to greater scrutiny from regulators and investors. EM and LEV show a weak positive correlation of 0.1289, implying that firms with higher debt levels may engage in earnings management to meet debt covenants. The correlation between EM and PROF is -0.0720, reflecting a very weak negative relationship, suggesting that more profitable firms have slightly lower incentives for earnings management, as they face less pressure to manipulate earnings.

Table 3: Breusch–Pagan/Cook–Weisberg test for heteroskedasticity

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Breusch–Pagan/Cook–Weisberg test for heteroskedasticity
Assumption: Normal error terms
Variable: Fitted values of em

H0: Constant variance

      chi2(1) =  0.78
Prob > chi2 = 0.1601

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The Breusch-Pagan/Cook-Weisberg test confirms that the residuals of the regression model exhibit constant variance, supporting the assumption of homoskedasticity. This strengthens the reliability of the regression analysis and ensures that the conclusions drawn from the model are valid.

Table 4: Multicollinearity test

Variable	VIF	1/VIF
lev	1.07	0.930590
prof	1.05	0.951014
fs	1.02	0.977435
Mean VIF	1.05	

The results indicate no significant multicollinearity among the independent variables (leverage, profitability, and firm size). With all VIF values close to 1 (ranging from 1.02 to 1.07) and a mean VIF of 1.05, multicollinearity is not a concern, ensuring reliable coefficient estimates in the regression model.

Table 5: Hausman Test

	---- Coefficients ----		(b-B) Difference	sqrt(diag(V_b-V_B)) Std. err.
	(b) F	(B) R		
fs	-.0170063	-.0223085	.0053022	.0063533
lev	-.019447	-.0246019	.0051549	.0072324
prof	-.005887	-.015236	.0093489	.013667

b = Consistent under H0 and Ha; obtained from xtreg.
 B = Inconsistent under Ha, efficient under H0; obtained from xtreg.

Test of H0: Difference in coefficients not systematic

chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
 = 3.04
 Prob > chi2 = 0.3859

The Hausman test was conducted to determine whether the fixed effects (FE) or random effects (RE) model is more appropriate for this analysis. The null hypothesis (H0) assumes that the differences in coefficients between the two models are not systematic, implying that the random effects model is suitable. The test statistic yielded a $\chi^2(3)=3.04$ with a p-value of 0.3859, which is greater than the conventional significance level of 0.05. This result leads to the failure to reject the null hypothesis, indicating that there is no evidence of systematic differences between the fixed and random effects models. Therefore, the random effects (RE) model is deemed appropriate for this dataset, as it provides more efficient estimates by accounting for both within-entity and between-entity variations.

Table 6: Breusch and Pagan Lagrangian multiplier test for random effects

Estimated results:		
	Var	SD = sqrt(Var)
em	.0057407	.0757677
e	.0035413	.0595089
u	.002156	.0464324

Test: Var(u) = 0

chibar2(01) = 116.86
 Prob > chibar2 = 0.0000

Additionally, the Breusch-Pagan Lagrange Multiplier (LM) test was performed to assess the presence of random effects. The null hypothesis (H0) states that the variance of the unobserved individual effects (Var(u)) is zero, suggesting that the pooled OLS model would be appropriate. However, the test statistic resulted in $\text{chibar2}(01)=116.86$ with a p-value of 0.0000, which is less than the significance level of 0.05. This outcome rejects the null hypothesis, confirming the presence of random effects and justifying the use of the random effects model over the pooled OLS model.

Table 7: Random Effects Model

Random-effects GLS regression		Number of obs	=	220		
Group variable: c		Number of groups	=	22		
R-squared:		Obs per group:				
Within	= 0.2373	min	=	10		
Between	= 0.1544	avg	=	10.0		
Overall	= 0.5448	max	=	10		
corr(u_i, X) = 0 (assumed)		Wald chi2(3)	=	42.79		
		Prob > chi2	=	0.004		

em	Coefficient	Std. err.	z	P> z	[95% conf. interval]	

fs	-.2107577	.0546867	-3.85	0.000	.102696	.3188193
lev	.0246019	.0246237	1.00	0.318	-.0728635	.0236596
prof	-.216079	.0647332	-3.34	0.001	.0892042	.3429538
_cons	.324143	.1368142	2.37	0.018	.0559921	.5922939

sigma_u	.0464324					
sigma_e	.05950889					
rho	.37842086	(fraction of variance due to u_i)				

The dataset consists of 220 observations from 22 listed insurance companies over a 10-year period. The model explains 54.48% of the variation in earnings management, as indicated by the overall R-squared value. The Wald chi-square test statistic of 42.79 (p-value = 0.004) confirms statistical significance at the 1% level, suggesting at least one independent variable significantly impacts earnings management.

The coefficient for firm size (FS) is -0.211 and statistically significant at the 1% level (p-value = 0.000), implying that larger firms engage in less earnings management. Increased scrutiny from regulators and investors, along with reputation risk, likely discourages manipulation. This aligns with PAT's political cost hypothesis, which states that larger firms prioritize transparency to avoid regulatory attention. Odokwo et al. (2024) and Bello et al. (2024) support this finding, highlighting that larger firms in Nigeria adhere to stricter governance standards.

Leverage (LEV) has a coefficient of 0.025, but it is not statistically significant (p-value = 0.318), indicating no strong evidence that leverage influences earnings management in this sample. While theory suggests highly leveraged firms manipulate earnings to meet debt covenants, the data does not confirm this. This may be due to regulatory oversight by NAICOM, as seen in Mnif and Slimi's (2024) study, which found leverage's impact varies across industries.

Profitability (PROF) has a coefficient of -0.216 and is statistically significant at the 1% level (p-value = 0.001), indicating that higher profitability reduces earnings management. Profitable firms have fewer incentives to manipulate earnings since they already meet stakeholder expectations. This aligns with PAT's emphasis on economic consequences in accounting choices. Ammer and Pantamee (2024) found a positive relationship between declining profitability and earnings management in Saudi firms.

CONCLUSION AND RECOMMENDATIONS

This study examined how firm size, leverage, and profitability influence earnings management among listed insurance companies in Nigeria. Larger firms engage in significantly less earnings management due to greater regulatory scrutiny, investor oversight, and reputation concerns.

Leverage, however, does not significantly affect earnings management in this sample. While theory suggests highly leveraged firms manipulate earnings to meet debt covenants, regulatory oversight and governance mechanisms in Nigeria may reduce this tendency.

Profitable firms are less likely to engage in earnings management, as they consistently meet performance expectations and face minimal pressure to manipulate financial results.

Based on the findings of this study, the following recommendations are proposed for policymakers, regulators, and stakeholders in the Nigerian insurance sector:

- i. Regulators should focus on strengthening governance mechanisms for smaller firms, including enhancing board independence, improving internal controls, and ensuring robust audit quality. This will help reduce the propensity for earnings management across all firms.
- ii. The National Insurance Commission (NAICOM) should strengthen its monitoring of firms with high debt-to-asset ratios to ensure compliance with solvency requirements and reduce the likelihood of earnings manipulation.
- iii. Regulators and standard setters should encourage greater transparency in financial reporting, particularly for firms experiencing declining profitability. This could include stricter disclosure requirements and penalties for non-compliance.

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