



EFFECT OF ORGANISATIONAL DYNAMICS ON ACCOUNTING PRACTICES OF LISTED DEPOSIT MONEY BANKS (DMBs) IN NIGERIA

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Abstract

Accounting scandals and financial irregularities have always been conducted to achieve numerous objectives which however become cancerous issues truncating the survival of firms. The nature and level of damage arising from accounting scandals and financial irregularities differ based on individual firm characteristics. Hence, this study examined the effect of organisational dynamics on accounting practices of listed deposit money banks in Nigeria. This study adopts ex-post facto research design and data was sourced from 13 out of 14 listed deposit money banks as at 2018. The generalised moment model regression model technique was used and the result showed that profitability has positive significant effect on accounting practice of deposit money in Nigeria; foreign listing has no significant effect on accounting practice of deposit money banks in Nigeria; and, leverage has positive significant effect on accounting practice of deposit money banks in Nigeria. The study concluded that organisation dynamics contributes significantly to accounting practice of deposit money banks in Nigeria. The study therefore recommended that profitability decision should be considered more by Nigerian deposit money bank in order to reduce accounting practice and to measure board performance.

INTRODUCTION

Financial reporting in deposit money banks in Nigeria has been characterised by all forms of irregularities in accounting practice This is evidenced by the collapse of Afribank Plc., Oceanic bank Plc., Intercontinental bank and Skye Bank Plc. These collapses have been linked with various firms' attributes as well as weak functioning of the board of directors. This phenomenon has made many investors to doubt the faithful representation of figures in financial statements of banks in Nigeria. Many firms engage in accounting practice merely to satisfy shareholders interest instead of satisfying some foreign listing requirements and certification. It may be argued that Nigerian banks with only domestic license may not disclose detailed accounting information as those that have foreign listing status whose branches cut across many countries. It is believed that when a firm is cross-listed overseas, it is mandatory to comply with various IFRS disclosure thereby enriching the quality of financial reporting. More so, banks with high financial leverage also have high tendency of engaging in accounting practice. It has been observed also that a highly levered bank will likely choose income-increasing accounting method in order to meet up debt covenant as well as obtain more contractual agreements.

Also, profitable firms are expected to be more inclined to release more information to show their excellent performance. Mehmet and Mustapha (2014) claim that managers are more likely to disclose detailed information when profitability is high to signal their ability to maximise shareholder value, increase the security of their positions, and justify their compensation. In addition, managers of profitable firms may be proud of their success and disclose more information



to the public to promote a positive impression of their performance (Alsaed, 2006). In contrast, unprofitable firms are less inclined to release more information to hide their poor performance.

Several studies have been carried out on firms' attributes and earnings management in different sectors and no consensus had been reached as to what really influences accounting practice. For instance, the studies of Despina, Anastasios and Antonios (2011) and Mehmet and Mustapha (2014) found firm size to be significant on earnings management practice of listed firms in Greece. The research found other variables like firm age, profitability, leverage, and board composition to be insignificant. However, the work of Waweru and Riro (2013) and Sara, Muhammed and Aiman (2016) had contrary opinion as their findings showed that firms financial leverage had significant positive relationship on earnings management in Egyptian listed firms. These results create mixed opinion on the real factors influencing accounting practice.

Additionally, researchers into the accounting practice in Nigeria such as Onwuchekwa and Madumere (2019), Vihi, Abu and Iortma (2019), Abubakar and Isah (2018), Sunny, Dadang and Sibuh (2018), Umobong and Ibronke (2017), Uwalomwa, Uwuigbe and Okorie (2015), and Sheu and Musa (2014) have looked at various factors such as leverage, profitability, age and firm size. These researchers failed to include other factors such as foreign listing. This research therefore aims at filling these gaps identified in the literature. In addition, there are inconclusive findings and divergent views in extant literatures as to whether organisation dynamics has effect on accounting practice. It is against this background that the study investigates the effects of organisation dynamics on accounting practices of listed deposit money banks (DMB'S) in Nigeria.

The study covers all listed deposit money banks on the Nigerian Stock Exchange as at the end of December 2018. Annual reports of the listed DMB are from 2013 – 2018 to reflect the period to which code of corporate governance 2011 was reviewed. Therefore, to guaranty the stake of shareholders and potential stakeholders on the remaining listed banks, it is appropriate to carry out a study on the effect of accounting practice so that each stakeholder and investor can determine the prospect of their stake and investment on the presently quoted banks.

In order to answer the research questions raised, the following null hypotheses were tested:

H₀₁: foreign listing has no significant influence on accounting practice of listed DMBs in the Nigeria;

H₀₂: leverage does not significantly have any effect on accounting practice of listed DMBs in Nigeria; and

H₀₃: profitability has no significant effect on accounting practice of listed DMBs in Nigeria.

LITERATURE REVIEW

Conceptual Review

The word organisational dynamics, firm attributes and company characteristics have been interchangeably used by different authors such as Despina, Anastasios & Antonios (2011), Mehmet and Mustafa (2014), and Lucia and Rosinta (2018). Companies can be differentiated from each other based on certain characteristics they possess. Such characteristics are referred to as



organisation dynamics or firm attributes – which exist at the firm’s level and have the potential to influence the decisions of the managers in the firm. Shehu and Farouk (2014) define firm attributes as variables at the firm level that affect the decision of the firm both internally and externally over time. Such variables include size, leverage, growth, value, profitability, capital structure, and others. Those attributes of the firm are usually unique to a specific company and they usually portray certain perception in the mind of the user of information regarding the performance and future of the firm. This study focuses on profitability, leverage and foreign listing.

Profitability is one of the major areas investors pay attention to when analysing the viability of a business. Tulsian (2014) explains that the word profitability is composed of two words - profit and ability. Profit refers to the total income earned by the enterprise during the specified period of time, while profitability refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales; it is the ability of the enterprise to get sufficient return on the capital and employees used in the business operation. While profit report is just about the financial and operational efficiency of an enterprise, profitability interprets the profit in relation to other elements likely to affect profit in order to help in decision making (Tulsian, 2014). According to Harward and Upton (2016), “profitability is the ability of a given investment to earn a return from its use.” However, the term ‘Profitability’ is not synonymous to the term ‘Efficiency’.

Leverage is the degree to which a company uses fixed income security such as debt and preferred equity to finance its business activities (Yegon, 2015). High degree of financial leverage is usually followed by high interest payment. Banks that are highly levered may be at risk of bankruptcy if they are unable to pay their debt as at when due. Leverage has its positive side in that it can increase shareholders wealth if the management make good use of the tax advantage associated with borrowing funds. Debt financing creates leverage because the charges on loans are tax deductible and this is expected to free up some cash for other investment purpose (Yegon, 2015).

Cross-listing in a foreign stock exchange is one of the most important methods for firms to access the foreign capital market (Ammer, 2012). A study by Fang, Maffel and Zhang, (2015) shows that foreign institutional investors serve as a powerful market force in affecting the global convergence of financial reporting practices suggesting that foreign institutional investors consider corporate disclosure practices to be of great importance. To the extent that additional disclosure could effectively reduce the information asymmetries faced by foreign investors (Covrig, 2007; Yu and Wahid 2014), especially for firms cross-listed in target countries with little proximities to their home countries, they predict a more positive relation between management forecasts and foreign institutional ownership for such firms.

Accounting practice generally is various accounting techniques used or adopted by companies to report economic reality of the financial statement. According to Bulle (2014), accounting practice is the system of procedures and controls that an organisation uses to create and record business transactions. In context, it is the intentional modification and window dressing of reported earnings either to achieve the motive of the preparers by presenting a plausible outlook of the firm to outsiders or to achieve personal gains for managers or achieve certain goals for the firm (Umobong & Ironkwe, 2017). It is carried out within the limits of legality without violating accounting rules.



Accounting practice is nothing new. It has been in existence right from the origin of accounting and to the extent that managers are given the laxity to take decisions on behalf of various stakeholders in an entity.

According to Brown (2001), accounting practice may be classified into two: Positive accounting practice and Negative accounting practice. Positive accounting practice is the branch of accounting research that seeks to explain and predict actual accounting practices. These contrasts with normative accounting that seeks to derive and prescribe "optimal" accounting standards. Positive accounting can be associated with the contractual view of the firm (Jensen and Meckling, 1976). The firm is viewed as "a nexus of contracts" and accounting is one tool to facilitate the formation and performance of contracts. Under this view, accounting practices evolve to mitigate contracting costs by establishing ex ante agreement among varying parties.

Negative accounting practices are various window dressing accounting techniques used mainly to deceive stakeholders of accounting information. Thus, various strategies have been employed in accounting practice (Alzoubi 2016) such as timing sales of long lived assets, deliberate postponement of expenses, bogus recognition of income or recognition of non-existent income, delay in expense or income recognition, extensive and generous provisioning of bad debts, big bet method, delay in recognition of losses and use of related party transactions to bloat income of the group. These strategies are tranches of various accounting practices such as creative accounting, fraud accounting, earnings management and income smoothing accounting (Bello, 2011). Among these, the most common practice used by organisations without violating some basic disclosure is earnings management. In this regard, the researcher adopts earnings management as a proxy of accounting practice based on its informativeness and discretionary measure.

Theoretical Framework

The study is anchored on Signaling theory. This theory is premised on the assumption that more information is only disclosed when organisations are performing (Ross, 1979). Therefore, there is need for managers to signal the success of the business to the stakeholders (Eccles, Herz, Keegan & Philips, 2001). Signaling theory also suggests that companies with good performance use financial information reported in their annual reports to send signals to the market. Most of the companies therefore disclose more of their financial information than non-financial information because there are regulating bodies such as Securities and Exchange Commission (SEC) and Financial Reporting Council of Nigeria (FRCN) guiding the financial disclosure of companies.

Empirical Review

In Greece, Despina, Anastasios and Antonios (2011) assessed the level of disclosure in the annual reports of non-financial Greek firms and empirically investigated the hypothesised impact of several firm characteristics on the extent of mandatory disclosure on earnings management. A disclosure checklist consisting of 100 mandatory items was developed to assess the level of disclosure in the 2009 annual reports of 43 Greek companies listed at the Athens stock exchange. The association between the level of disclosure and some firm characteristics were examined on earnings management using multiple linear regression analysis. The findings indicated that firm



size was significant and positively associated with the earnings management. The remaining variables such as age, profitability, liquidity, and board composition were found to be insignificant in explaining the variation of earnings management.

Also, Younes, Saeed and Amin (2012) investigated the relationship between earnings management and accounting conservatism in Iranian firms. In the study, conservatism is measured by Basu (1997) and Roychowdhury and Watts (2007) models, and earnings management was measured by modified Jones model (1996). The statistical population included firms accepted in Tehran Stock Exchange and the period of research was 2001 to 2008. The systematic omission method was used in the research in order to achieve the sample and 480 firms were chosen as the sample for research. The paper empirically tested the relationship between earnings management and the asymmetric timeliness of earnings using ordinary least squares (OLS) regressions. Results showed a negative relationship between foreign institutional holdings and leverage on earnings management and accounting conservatism.

Additionally, Teuta (2013) researched earnings management and firm size. The study was an empirical analysis of earnings management initiatives in Albanian context. Sample of 75 firm-year observations were used. It considered historical data for a three-year period (2009-2011) from entities selected mainly from the private sector. Log of total assets were used as proxy for firm size, and absolute value of discretionary accruals for earnings management. Jones model was used for calculation of discretionary accruals. The results showed that firms in the Albanian market are engaged in earnings management initiatives and there were no significant differences concerning firm age, size, leverage and earnings management initiatives and accounting practices, comparing large and small sized companies.

Ali, Merve and Nizamettin (2013) also researched on the factors that impact voluntary information disclosure level of Turkish manufacturing companies listed in the Borsa Istanbul (BIST). The data collection methodology of the study was content analysis of annual reports of the corporations listed on the BIST for the year 2010. In order to analyse the results, Ordinary Least Square (OLS) and Two-Stage Least Squares (2SLS) regressions were employed to examine the association between the explanatory variables and voluntary disclosure level. The findings provide evidence of a positive association between voluntary information disclosure level and the variables such as firm size, auditing firm size, proportion of independent directors on the board, institutional/corporate ownership, and corporate governance. However, leverage and ownership diffusion were found to have negative significant association with the extent of voluntary disclosure. The remaining variables, namely profitability, listing age, and board size were found to be insignificant.

Similarly, Mohammed (2013) investigated the association between the voluntary disclosure level in annual reports and firm characteristics of more active 50 Egyptian companies listed on the Egyptian Stock Exchange of the non-financial sector during the period 2007-2010. The firm characteristics used in the study were firm size, auditor size, profitability, and firm's age. A disclosure checklist consisting of 60 voluntary items of information was developed and statistical



analysis performed using multiple regression analysis. The results of univariate and multivariate analyses indicated that firm size and profitability have significant positive association with voluntary disclosure level in annual reports. On the other hand, auditor size and firm's age did not have any significant association with voluntary disclosure level.

Mishari and Abdullah (2014) investigated the association between firm-specific characteristics earnings disclosure among Kuwait Stock Exchange (KSE)-listed firms. Consistent with prior disclosure research, the extent of corporate disclosures among all KSE-listed firms in 2010 was measured using a self-constructed disclosure index. The results showed that the mean level of mandatory disclosures for all KSE-listed firms in 2010 was 74% and ranged from 41–95%. The regression results suggested that older, highly leveraged, larger, and profitable KSE-listed firms were associated with high levels of earnings management. Importantly, the results revealed significant variations in disclosure levels across the three possible auditor combinations, implying the importance of high quality and rigorous external audits in promoting corporate disclosures.

Sheu and Musa (2014) had their work concentrated on firm attributes and earnings quality of listed oil and gas companies in Nigeria for the period of 2007-2011. The listed Oil and Gas firms were Nine (9) in numbers out of which a sample of Seven (7) was used for the study. Firm attributes as the independent variable was proxy with firm size, leverage, institutional ownership, profitability, liquidity and firm growth while the residuals from the modified Jones model by Dechow *et al.*, (1995) was used to proxy earnings quality. The study adopted multiple panel regression techniques and data was collected from secondary source through the annual reports and accounts of the firms. The findings revealed that leverage, liquidity and firm growth have a significant positive impact on earnings quality while firm size, institutional ownership and profitability have a significant but negative influence on earnings quality of listed oil and gas companies in Nigeria.

The work of Uwalomwa, Uwuigbe and Okorie (2015) assessed the effects of firms' characteristics on earnings management of listed companies in Nigeria. To achieve the objectives of the study, a total of 20 listed firms in the Nigerian stock exchange market were selected and analysed for the study using the judgmental sampling technique. The corporate annual reports for the period 2006-2010 were used for the study. In testing the research hypothesis, the study adopted the use of both descriptive statistics and econometric analysis using the pooled ordinary least square regression for the listed sampled firms. Findings from the study revealed that while firm size and firms' corporate strategy have a significant positive impact on earnings management (proxied by discretionary accruals); on the other hand, the relationship between firms' financial leverage and discretionary accruals of the sampled firms in Nigeria was not significant.

Sara, Mohamed and Aiman (2016) investigated firm characteristics on earnings management of the listed firms in Egypt. It selected the 50 most active firms in the Egyptian stock exchange and the analysis was done using the financial statements from the disclosure book for the period 2007-2011. After excluding banks and insurance companies, for having different disclosure requirements and different corporate governance code, the final count for the firms included in the paper was 60 in five years. So it was left with a total of 300 observations. The tests for the research



were done using the random effect generalised least square regression model using the stata program. Findings found that there was a significant positive relationship between firms' financial leverage and earnings management while other variables of the firm characteristics which are firm size, firm age and firms' audit quality have an insignificant relationship with earnings management.

Also, Edward, Hazel, Willy and Martin (2017) examined the relationship between disclosure and transparency and performance of listed companies at NSE with firm's characteristics as the moderating variable. The study was anchored on Agency theory and Signaling theory. The study adopted both descriptive and correlational research designs on all 60 companies listed in Nairobi Securities Exchange during the period 2011-2015. The research made use of both primary and secondary data. Secondary data was obtained from the Capital Markets Authority and NSE. Descriptive statistics (mean and standard deviation) and inferential statistics (Pearson correlation and multiple regressions) were used to analyse the data. Findings showed a significant relationship between disclosure and transparency and performance of firms listed at the NSE and that firm's characteristics had a moderating effect on the relationship between disclosure and transparency and firm performance. Firm's characteristic variable had significant moderating effect on relationship between disclosure and transparency and performance of firms listed at the Nairobi Securities Exchange.

In Malaysia, Lucia and Rosinta (2018) analysed the effect of company's characteristic which are profitability (ROA), leverage (DER), liquidity (CR), company size (SIZE), and corporate governance proxied by board of directors and audit committee (KA) to disclosure of sustainability reports (SR). The study had 105 samples of manufacturing companies listed in the Indonesia Stock Exchange and 262 manufacturing companies listed on Malaysia Exchange in year 2013-2015. Data was analysed using regression logistic method with E-views version 9. Hypothesis testing results showed that the partial results of hypothesis testing variable DER, CR, and Directors do not have significant effect on internet financial reporting, but ROA and size have significant influence on sustainability report disclosure (SR) of manufacturing companies listed in IDX and Bursa Malaysia.

Also, Abubakar and Isah (2018) examined the effect of firms' characteristics and financial performance of listed insurance companies in Nigeria. The data for the study was collected from the annual reports and accounts of insurance companies quoted in the Nigeria Stock Exchange (NSE) within the period of 2007 and 2016. Robust regression analysis was used to test the hypothesis in addition to some diagnostic tests conducted on the data. The results of the study revealed that liquidity and age have significant negative impact on financial performance of insurance companies in Nigeria.

METHODOLOGY

For this study, ex-post facto research design was used with support of panel data estimation techniques. The population of the study is the totality of fourteen DMB's recognised by CBN as at the end of 2018. All of them are the ideal research objects or population of the study. The primary sampling units of the study are the thirteen (13) deposit money banks listed on the NSE.



Although there were 14 listed DMBs in Nigerian Stock Exchange as at 31st December, 2018, Jaiz Bank was filtered out due to span of years of listing (though the bank was licensed in 2012 as a regional bank, it was not until 2016 that it was given full license to operate in full capacity). Therefore, from 2013 – 2018 the thirteen (13) banks that have met the 25 billion-naira CBN recapitalisation and remained listed on the NSE were considered as the sampling size of this study. Hence, the annual reports of the thirteen (13) banks were analysed for the 6 years under study, that is, 2013 – 2018. Descriptive statistics of the variables as well as generalised method of moment regression was carried out to assess the relative predictive power of the independent variable (foreign listing, leverage and profitability) on the dependent variable (accounting practices). Therefore, the panel regression analysis was based on the following model adopted from Daniel, Aiyesha and Joseph (2005):

$$EM_SCORE_{it} = \alpha_0\beta_1(ACR_{it} - CF_{it}) \times \beta_2(\Delta REV_{it} - \Delta REC_{it}) \times \beta_3(\Delta INV_{it} - \Delta SALES_{it}) + \epsilon_{i,t}$$

Where:

EM_SCORE_{it} = Earnings Management Score in year t

ACR_{it} = Value of accruals in year t

CF_{it} = Value of cash flow in year t

ΔREV_{it} = change in revenue from year t-1 to year t

ΔREC_{it} = change in receivables from year t-1 to year t

ΔINV_{it} = change in inventory from year t-1 to year t

ΔSALES_{it} = change in sales from year t-1 to year t

The study used 5% level of significant

A priori expectations in line with extant literature to be β₁, β₂ and β₃ > 0

RESULT AND DISCUSSIONS

This segment analysed the data extracted from the audited annual reports of listed deposit money banks with interpretation of results and regression analysis. Discussion of findings also included in this section.

Descriptive Analyses

This section shows the descriptive statistics of the variables that includes (mean, standard deviation, maximum value, minimum value) of both the dependent and the independent variables. The dependent variable is accounting practice proxy with earnings management score (EMS), while the independent variable is organization dynamics proxy with variables such as (financial leverage (LEV), profitability (PROF) and foreign listing (FLT)) and control variables such firm size (SIZE) ranging from 2013- 2018 for listed deposit money banks in Nigeria.

Table 1, shows that the accounting practice measured through earnings management score has an average value of 2.5375 with a standard deviation of 1.9434, and minimum and maximum value of -24 and 15 respectively. The standard deviation of 1.9434 implies that there is a low dispersion of the data from the mean value. This shows moderate variations in the mean.

The average value of financial leverage of sampled banks is 0.7405; with a minimum and maximum value of 0.0119 and 0.9301 respectively, while the standard deviation is 0.2676 variations from the average value, which reflects the presence of moderate variation across the



sampled banks. The average value of profitability of the sampled banks is 9.0392; with a minimum and maximum value of -22.582 and 11.257 respectively, while the standard deviation is 5.5552 variations from the average value, which also reflects the presence of moderate variation across the sampled banks. The average number of foreign listing (FLT) of sampled banks is 0.6667; with a minimum and maximum value of 0 and 1 respectively, while the standard deviation is 0.4621 variations from the average value, also reflects the presence of moderate variation across the sampled banks.

The average values of firm size of sampled banks are (11.884); with minimum values (10.312) and maximum values (12.748), while the standard deviations are (0.6728) variations from the average value, which reflects the presence of moderate variation across the sampled banks.

Table 1: Descriptive Statistics

Variables	N	Mean	Std Dev	Mini	Max
EMS	78	2.5375	1.9434	-24	15
LEV	78	0.7405	0.2676	0.0119	0.9301
PROF	78	9.0392	5.5553	-22.582	11.257
FLT	78	0.6667	0.4754	0.0000	1.0000
SIZE	78	11.884	0.6728	10.312	12.748

In table 2, the Variance inflation factor of multicollinearity for detection of possible strong relationship between independent variables the presence of which violates the assumption estimation techniques. VIF shows the existence of which the standard error is inflated due to relationship between dependent variables. As a general rule of thumb, the higher the VIF the more troublesome or the more likely there is multicollinearity. On the other a VIF in excess of 5 calls for further investigation.

If VIF exceeds 10, it suggests serious multicollinearity requiring correlation. Gujarati (2004) states that the closer the value to zero, the greater the degrees of multicollinearity while the closer to 1, the greater the evidence that the regressors are not collinear. However, from the result, the value of independent variables exceeds 1, therefore, there is absence of multicollinearity. In lieu of this, there are no multicollinearity issues between the independent variables within this model as all the VIF's are less than 10. The VIF and tolerance can be used interchangeably to determine multicollinearity as the VIF is an inversely related to tolerance. The VIF represents a measure of the amount of multicollinearity in a multiple regression framework. Tolerance is a measure of the scale of the predictability of the specified variable not explained by other predicted variables in the model.



Table 2: Multi-collinearity Test – Variance Inflation Factors

Variable	VIF	1/VIF
LEV	1.16	0.8621
PROF	1.15	0.8695
FLT	1.03	0.9708
SIZE	1.11	0.9009
Mean VIF	1.11	

Heteroskedasticity shows in a model if the variances of the error- term of the different observation are different. This study analyses Breusch-pagan test to check if there is problem of heteroskedasticity. The Breusch-pagan tests of the null hypothesis that the error variances are all equal against the alternative that the error variance is a multiplicative function of one or more variables. The result of P-value (0.5965) respectively is greater than 5% significance level, the null hypothesis was rejected. Therefore, these models do not face any heteroskedasticity problem. This implies that the variations between independent variables are fairly small.

Table 3: Breusch-Pagan/ Cook-Weisberg Test for Heteroskedasticity

Variable	Chi ²	P-value
ROTA Model	1.28	0.5965

Table 4 Generalised Moment Model Regression Table

Variables	Coefficient	t- value	P-value
Constant	-0.1550	-0.33	0.742
EMS _{t-1}	-0.1792	-1.26	0.206
PROF	0.0467	2.65	0.008
LEV	0.5072	6.75	0.000



SIZE	0.2899	6.74	0.000
FLT	-0.9479	-0.59	0.559
Wald X ²	27.23		0.0000

***- denotes Significant @1%; * @ 5% and @ 10% level respectively

Discussion of Findings

Result in table 4 shows that profitability has positive significant effect on accounting practice of Deposit Money Banks in Nigeria. This finding supports the argument that managers are more likely to disclose detailed information when profitability is high to signal their ability to maximise shareholder value and avoid share undervaluation. In this way, they increase the security of their positions and justify their compensation. In contrast, firms may disclose less information when profitability is low to hide the various reasons for declining profitability or losses (Mishari *et al.*, 2014). This provides an evidence to reject the null hypothesis which states that profitability does not have influence on accounting practice in deposit money banks.

This result is consistence with the findings of Mishari and Abdullah (2014) and Mohammed (2013) as the studies also found positive relationship and significant effect between the variables. It is however against the results of Despina *et al.*, (2011), Sheu and Musa (2014), and Edward et al (2017) as they found negative or no significant effect between the variables. The result also supports signaling theory which is premised on the assumption that more information is only disclosed when organisations are performing (Ross, 1979).

In addition, the result in table 4 shows that foreign listing has no significant effect on accounting practice of deposit money banks in Nigeria. This implies that companies that are listed overseas or have subsidiaries in other countries may not disclose all the information once listing status is achieved. However, most of these companies usually report and prepare decent financial statements in their first year of listing in the foreign market than those that are not foreign market listed. The aim of doing that is to entice potential investors both at home and abroad to invest in their shares. This result also contradicts the a-prior expectation of the study as the researcher expects that companies that are foreign listed would prepare more decent financial statement. This empirical finding is not consistence with the finding of Younes et'al (2012), Mehul and Varadraj (2014) and Mehmet and Mustafa (2015) as the study found significant effect between the variables. The result did not go in line with signaling theory and prospect theory.

Finally, the result in table 4 shows leverage has positive significant effect on accounting practice of deposit money banks in Nigeria. It therefore implies that for every one Naira increase in leverage, the accounting practice will increase by N0.00. This may be as a result of the fact that as leverage increases, there is wealth transfer from fixed claimant to residual claimants and as such, debenture holders are able to 'price protect' themselves. Managers and shareholders have incentives to voluntarily increase the level of monitoring such as increasing the disclosure of additional information about the firms activities (Schipper, 1981 as cited in Shehu, 2012).



This provides an evidence of rejecting null hypothesis three of the study which states that leverage has no significant relationship on earnings management. This result is consistence with the finding of Mehmet and Mustafa (2014), Mishari and Abdullah (2014), Sara *et al.*, (2016) and Edward (2017) as the studies also found positive relationship and significant effect between the variables, but against the result of Younes *et al.*, (2012), Tauta (2013), Ali *et al.*, (2013), Sheu and Musa (2014), Uwalomwa *et al.*, (2015) and Lucia and Rosinta (2018) as the study found no significant effect between the variables. The result was also in support of philosophical underpinning of signaling theory and prospect theory.

CONCLUSION AND RECOMMENDATIONS

Based on the empirical results of the hypotheses tested in section four, the following conclusions are made:

The study concluded that organisation dynamics contributes significantly to accounting practice of deposit money banks in Nigeria. However, when individual components of organisation dynamics are evaluated, profitability, leverage and firm size contribute positively and significantly to accounting practice, while foreign listing does contribute to accounting practice.

In accordance with the findings of this study the following recommendation are made:

- i. Profitability has positive significant effect on accounting practice of listed deposit money banks; profitability decision should be considered more by Nigerian deposit money bank in order to reduce accounting practice and to measure board performance.
- ii. As leverage has positive significant effect on accounting practice of deposit money banks in Nigeria, this study recommends that deposit money banks in Nigeria should diligently manage their financial risk (leverage) in order to increase their return and improve the accounting practice.

Contribution to Knowledge

The study has been able to establish the fact that organisation dynamics contributes significantly to accounting practice of deposit money banks in Nigeria. However, when individual component of organisation dynamics is evaluated, profitability, leverage and firm size contribute positively and significantly to accounting practice, while foreign listing does contribute to accounting practice. This study contributes to existing literature on importance of organisation dynamics in relation to accounting practice of deposit money banks in Nigeria.

Areas for Further Studies

This study examined the effect of organisation dynamics on accounting practice of deposit money banks in Nigeria. The study focused on addressing the specific issues relating to organisation dynamics, foreign listing, foreign board membership, leverage, profitability, firm size and accounting in deposit money banks in Nigeria. Thus, the findings in this study may not apply to firms in other sectors in Nigeria or other countries. The areas such as ownership concentration, CEO duality audit committee, institutional ownership, IFRS, corporate governance and profitability, corporate governance and firms risk etc. which were not at the centre of the design of study are good avenues for future research.



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