



Full Length Research Paper
The Effect of Corporate Governance Attributes on Earnings Management: Evidence from Ethiopian Private Commercial Banks

Abreham Abewa Akalu¹, Teferi Deyuu Alemi²

¹PhD Student in Accounting & Finance, College of Business and Economics, Madda Walabu University, Bale Robe, Ethiopia. ORCID: [0009-0002-0583-0399](https://orcid.org/0009-0002-0583-0399)/Email = abrehamabewa1986@gmail.com

²Associate Professor of Accounting & Finance, College of Business and Economics, Salale University, Fiche, Ethiopia. ORCID: [0009-0007-6498-2778](https://orcid.org/0009-0007-6498-2778)/Email = teferi761@gmail.com

Article Info

Article History

Received: 19 Jan 2026

Accepted: 26 June 2026

Abstract

This study investigates the effect of corporate attributes on earnings management in Ethiopian private commercial banks. Specifically, it examines the effects of board attributes (size, gender diversity, and meeting regularity) and audit committee features (size, meeting frequency, financial competence, and independence) on earnings management measured by discretionary loan loss provisions. This study employs a quantitative research method using balanced panel data obtained from 16 Ethiopian private commercial banks covering the period from 2015 to 2024. Secondary data were obtained from the National Bank of Ethiopia and the annual reports of sampled private commercial banks. To overcome the issue of unobserved endogeneity and heteroscedasticity, the one-step system GMM estimator is applied. The findings show that more frequent board meetings, audit committee financial expertise, audit committee size, and audit committee independence are significantly related to lower earnings management ($P < 0.01$). Similarly, the results of the study reveal that the frequency of audit committee meetings has a statistically significant negative effect on earnings management ($P < 0.05$). The result also indicates that the first lag of discretionary loan loss provision and return on assets has a significant positive effect on earnings management as measured by discretionary provision at ($P < 0.05$) and ($P < 0.01$), respectively. In contrast, board size, female board representation, financial leverage, and firm size were not found to have a noticeable effect. This study is limited to only seven governance variables and sixteen private commercial banks. Future studies may incorporate additional governance attributes and other entities. The results provide valuable insight to managers, regulators, and policymakers who need to enhance the governance framework and reduce opportunistic financial reporting, while also contributing to the literature on corporate governance in developing countries like Ethiopia.

Keywords:

Corporate governance,
Earnings management,
Ethiopian Bank, GMM

Licensed under a Creative Commons

* [Corresponding email: abrehamabewa1986@gmail.com](mailto:abrehamabewa1986@gmail.com)

Attribution-Non Commercial 4.0 International License.



1. Introduction

Earnings management refers to the intentional manipulation of accounting figures by managers to mislead stakeholders or influence contractual outcomes (Ronen & Yaari, 2008). Although some forms of earnings management may comply with legal boundaries, they often misrepresent the true financial position of an entity, thereby undermining investor confidence and market efficiency. The occurrence of major corporate scandals and failures in the world, including WorldCom, Enron, MG Rover

Group, Northern Rock, Nortel, and eToy, highlighted concern about earnings management and strengthened the call for enhanced corporate governance (CG) (Al Hajjar et al., 2021). These corporate failures were largely caused by the manipulation of financial statements, which resulted in significant losses for investors and damaged trust in financial statements. Since then, corporate governance has received increasing attention as a possible means for addressing agency conflict between managers and

owners. For instance, Sáenz González & García-Meca (2014) argue that effective corporate governance mechanisms can reduce agency costs by monitoring managers' actions and preventing possible opportunistic behavior.

In the banking sector, earnings management is executed by managers using loan loss provisions (LLPs), which are considered the most significant accruals in banks (Ben Othman & Mersni, 2014). Similarly, Bouvatier & Lepetit (2008) noted that loan loss provisions are used to anticipate future loan defaults and substantially influence stated earnings and regulatory capital.

Given the managerial discretion in loan loss provisioning, an effective corporate governance mechanism plays an important role in deterring conflicts and enhancing the quality of financial reports (García-Sánchez, 2010). Corporate governance is a set of market-based and institutional instruments designed to address agency conflict, protect stakeholders' interests, improve profitability, and ensure adequate stockholders' return (Ahmad et al., 2021; Khan, Kamal, Abbas, et al., 2022; Khan, Kamal, Hussain, et al., 2022). According to the Ethiopian Bank Corporate Governance Directive No. SBB/71/2019, governance provides a framework used for managing and supervising a bank's activity, to enhance long-term shareholders' benefit while safeguarding the rights of customers and other interested parties. Sound governance guarantees that the board and top management are acting in the best interest of stakeholders (Keertiman Sharma, 2021). Akileng (2014) states that governance plays a crucial role in curbing opportunistic behavior, including earnings manipulation. Effective governance systems improve transparency, responsibility, and oversight, which in turn reduce the risk of financial misreporting.

The attributes of corporate governance, including board size, gender diversity, board meeting frequency, audit committee size, independence, financial expertise, and frequency of meetings, play an important role in monitoring management actions and ensuring financial reporting quality. In this study, these corporate governance attributes are chosen because they represent important internal monitoring mechanisms mandated or encouraged by Ethiopian banking regulations and international best practices, and they directly influence the capacity of the board

and audit committee to supervise the quality of financial reporting and discretionary loan loss provisioning practices.

In developing economies like Ethiopia, governance practices in the banking industry provide a number of important functions. It enables the steady and efficient functioning of the financial system, strengthens accountability, balances risk-taking with the interest of stakeholders, and promotes both financial stability and economic growth. In this context, the boards of directors serve as a crucial governance attribute for aligning managers' decisions with stakeholders' interests and reducing agency costs. Marra et al. (2011) argued that a well-functioning board can discourage opportunistic behavior. However, recent financial scandals weakened stakeholders' trust and placed increased emphasis on a transparent and accountable governance system. Recently, the banking sector has faced several challenges, including limited regulatory oversight, weak legal frameworks, and a lack of professional expertise on the board (Iftikhar et al., 2019). Negash (2013) noted that Ethiopian institutional settings lack enough separation of powers and that deficiencies in corporate laws pose substantial barriers to meeting international governance standards. However, efforts have been undertaken by the organization, including drafting a revised governance framework, and integration with international norms aims to increase awareness and restore stakeholders' trust in the organization and reduce earnings management.

In this regard, Ethiopian private commercial banks provide a distinctive context for examining how governance attributes are associated with earnings management. Banking sectors in Ethiopia are characterized by concentrated ownership structures, limited foreign bank participation, developing governance frameworks, and a financial system that is largely bank-dominated (African Development Bank, 2021; World Bank & International Monetary Fund, 2020). These characteristics can intensify agency conflict between majority and minority shareholders and may result in a greater probability of managerial discretion in financial reporting, particularly through loan loss provisioning. Nevertheless, despite these unique institutional features, empirical studies on the link between governance attributes and earnings management in privately owned commercial

banks in Ethiopia remain limited.

Beyond Ethiopia's domestic supervisory frameworks, internationally recognized banking standards also highlight the importance of effective corporate governance. Basel Pillar 2 underlines the importance of sound risk governance, effective board oversight, and appropriate provisioning practices and requires banks to maintain a strong internal control mechanism and governance procedures to enhance financial stability and ensure good credit risk management related to loan loss provision (Basel Committee on Banking Supervision, 2019). In this context, this study investigates how governance attributes in Ethiopian private commercial banks can contribute to achieving the broader goal of financial transparency and stability by constraining opportunistic earnings management through discretionary loan loss provisioning.

This study examines how corporate governance attributes, including board attributes and audit committee characteristics, affect earnings management practices in Ethiopian private commercial banks. Previous studies on this issue provide mixed theoretical perspectives and empirical findings regarding the effectiveness of boards in limiting such practices. Under agency theory, Alagla (2012) argues that internal and external governance attributes help to curb managerial opportunism. Proponents of agency theory also argued that smaller board size, board independence, and the separation of the manager and board chairperson roles improve boards' effectiveness (Eckles et al., 2011).

Even though several prior studies have analyzed the relationship between governance attributes and earnings manipulation (e.g., Zgarni & Fedhila, 2019; Abdou et al., 2021), most have several shortcomings. First, the majority were conducted in developed economies, limiting their applicability in developing economies with different institutional and regulatory environments. Second, research evidence on governance attributes and earnings management in Ethiopia is still scarce, specifically in the banking sector, where regulatory oversight, governance enforcement, and disclosure practices differ noticeably from those in developed economies. Third, most of the previous studies are focused on industries other than banks, even though banks are particularly vulnerable to the discretionary behavior of loan loss provision.

Fourth, the empirical results reported in prior studies are inconsistent and inconclusive. Although several prior studies in Ethiopia have examined the effects of corporate governance on intellectual capital and financial performance (e.g., Meressa, 2016; Harun, 2017; Assfaw & Sharma, 2024), limited attention has been given to earnings management. Finally, most of these studies rely on fixed-effects and random-effects statistical estimation approaches, which may not adequately account for the problem of endogeneity.

To overcome the above-mentioned drawbacks, this study focuses exclusively on private commercial banks and employs a dynamic panel estimation approach, particularly the system GMM technique, which has often been overlooked in previous studies. Furthermore, this study incorporates different firm-related factors, such as bank size, firm performance, financial leverage, and the first lag of discretionary provision, as regressors.

The study adds to the available body of literature in multiple ways. First, it may offer empirical insights that may help private commercial banks to strengthen their corporate governance framework to reduce earnings manipulation and foster a positive interaction between management and stakeholders. Second, it contributes to corporate governance literature in emerging economies like Ethiopia. Third, it provides practical insight for supervisory bodies, shareholders, and company leaders who wish to improve governance systems and financial reporting integrity among private commercial banks. Finally, for academics, the application of SYS-GMM is introduced methodologically and offers a basis for future empirical studies on governance, notably in Ethiopia's banking industry, which has been underutilized in prior studies.

The rest of the paper is structured as outlined below. Part 2 presents a review of corporate governance theories and prior empirical studies. Part 3 describes the research methodology used. Part 4 presents findings and their discussion. Part 5 concludes the study and offers policy implications.

2. Review of Related Literature and Hypothesis Development

This section reviews various empirical and theoretical perspectives on earnings management

and governance practices in banks. The literature review is used to develop a research hypothesis.

2.1.Theoretical Framework

Corporate governance is a new but quickly expanding academic field that encompasses organizational behavior, economics, law, management, accounting, and finance (Tricker, 2015). Because governance practice is interdisciplinary, numerous theoretical perspectives have emerged to better comprehend and explain the mechanisms that guide and control corporate activity. Among many theories, four are particularly prominent in the literature and commonly utilized to support corporate governance research: stewardship, resource dependency, stakeholders, and agency theories. Each of these theories offers a unique view on how businesses are governed, the responsibilities of various corporate actors, and how governance systems affect organizational outcomes such as responsibility, performance, and earnings management.

Agency theory states that sound governance practice can promote greater transparency in financial reporting. The traditional agency framework emphasizes conflicts that arise between managers and shareholders (Keay, 2017). This view is less dominant in emerging and developing markets, where ownership concentration is high. In such settings, the primary agency problem usually involves a type II agency conflict between controlling and minority shareholders, as controlling owners may exert significant influence over managerial decisions to extract private benefit or smooth earnings (Purkayastha et al., 2022). Various empirical studies support the function of governance attributes in curbing such a problem. For instance, Reddy et al. (2013) reported that governance attributes, including the size of the board, gender, director types and presence, volunteers, and leverage, could reduce agency costs in New Zealand-registered charities. Similarly, Elghuweel et al. (2017) found that minimizing earnings management helps to reduce conflict and the information gap between management and shareholders. Similarly, Haddad et al. (2015) note that concentrated ownership structure increases the potential for opportunistic behavior, especially in areas with high managerial discretion, such as loan loss provisioning. Consequently,

audit committee independence, financial expertise, and meeting frequency are essential governance mechanisms to curb opportunistic discretionary behavior.

The stewardship framework offers an alternative perspective to the agency framework for understanding managerial motive. Unlike agency theory, it assumes managers are loyal to the organization and act on behalf of the owners (Donaldson & Davis, 1991). In opposition to the individualistic focus of agency theory, stewardship theory emphasizes the function of senior managers as stewards whose objectives are aligned with the company's (Afonso Alves et al., 2021). Likewise, Albrecht et al. (2023) argued that stewardship theories are rooted in psychological and sociological foundations, where the objectives of corporate leaders are linked to those of the firm and its shareholders. Stewards are corporate managers and executives who work to benefit shareholders. Therefore, the supporters of stewardship theory prioritize systems that empower and facilitate over those that monitor and regulate.

According to Eskerod (2020), stakeholders are groups or individuals who have legitimate concerns regarding both operational and outcome-related elements of corporate conduct. The stakeholder theory is a well-known concept in corporate governance, emphasizing that corporate leaders are responsible not only to shareholders but also to the wider group of stakeholders, including creditors, suppliers, managers, clients, personnel, government bodies, the local community, and the general public (D. A. et al., 2011). The study by Almahrog et al. (2018) links strong corporate governance with better earnings quality and reduced earnings manipulation in managing stakeholders' interests.

Resource dependency theory examines how organization's behavior and actions are affected by their dependence on external resources. As noted by Drees & Heugens (2013), resource dependence theory affects key strategic areas such as organizational structure, hiring practices, production processes, contract design, and external relationships. Resource dependency theory emphasizes that securing external resources is essential for effective strategic management and highlights the strategic role of corporate governance (Miner, 2015). Moreover, Elghuweel et al. (2017) argue that reducing

earnings manipulation enhances firms' ability to access vital resources, including funding and contractual opportunities. Shahwan & Fathalla (2020) contend that sound corporate governance enhances a firm's capability to acquire essential assets, including human, physical, structural, and intellectual capital. The fundamental concept of resource dependency theory is that organizations cannot operate in isolation and must depend on external environmental resources to fulfill their objectives (Celtekliligil, 2020). This study employs agency theory as its primary theoretical framework to examine how corporate governance attributes mitigate agency costs and prevent opportunistic earnings management in the Ethiopian private banking industry. This theory is adopted because of earnings management, particularly through discretionary loan loss provisioning, fundamentally arises from the agency problem between managers and shareholders, and it provides a robust base for analysing how internal governance attributes, including board characteristics and audit committee attributes, function to monitor managerial discretion and mitigate earnings manipulation (Jensen & Meckling, 1979; Healy & Wahlen, 1999; Haddad et al., 2015). Additional theoretical frameworks, including stewardship, stakeholders, and resource dependency theories, are used as a complementary framework that supports the analysis, but agency theory remains central in explaining governance effectiveness and earnings manipulation incentives in the banking sector.

2.2. Empirical Literature and Hypothesis Development

Governance attributes are essential to ensure effective oversight and control over firms, particularly in the banking industry. Prior empirical research (Abdou et al., 2021; Ali, 2024; Assfaw & Sharma, 2024; Attia et al., 2022) has identified several governance attributes, such as gender diversity, board size, experience, board sub-committee diversity, and audit committee size, as key determinants of good governance practices. Grounded in these studies, this study focuses on selected governance attributes, including board attributes (board gender diversity, size, and meeting frequency and audit committee characteristics (audit committee independence, financial specialization, size, and meeting frequency).

2.2.1. Board Size

Board size refers to the total number of individuals serving on the company's board of directors (Valls Martínez & Cruz Rambaud, 2019; Attia et al., 2022; Assfaw & Sharma, 2024). Ethiopia's Bank Corporate Governance Directive No. SBB/71/2019 requires a board to have at least nine members. Al-Musalli & Ismail (2012) contend that large boards can be more effective in reducing company failure and in securing critical resources, which aligns with agency and resource dependency perspectives. Supporting this perspective, numerous empirical research studies have documented a negative link between earnings management and board size. For example, Farag et al. (2018) found that larger boards possess greater expertise and supervision capacity, which allows for better supervision of managerial conduct. Furthermore, Ming-Feng Hsu & Wen (2015) and Hashed & Almaqtari (2021) found that large boards are related to lower earnings manipulation, enhanced financial reporting quality, and the prevention of reporting inconsistency. In contrast to previous studies and the assumption of both agency and resource dependency theories, Aleqab & Ighnaim (2021) reported that a larger board size is related to an increased level of earnings management. Given these conflicting results, the first hypothesis is outlined below.

***H1:** Board size is inversely related to earnings management in Ethiopian private commercial banks.*

2.2.2. Board Meeting Frequency

The annual board meeting frequency is considered a vital indicator of strong and effective corporate governance, as it reflects the extent to which directors engage in supervising and guiding the organization's financial and strategic decisions within a year (Wondem & Singh Batra, 2019; Ebaid, 2023). Consistently, Ethiopia's Bank Governance Regulatory No. SBB/71/2019 requires boards to meet at least once a month. Several empirical studies examining the link between the frequency of board meetings and financial reporting manipulation provided contradictory results. For instance, Chouaibi et al. (2018) find that frequent board meetings are inversely related to earnings management. Additionally, using multivariate analysis, IO Eze (2017) reports a substantial inverse

association between the regularity of board sessions and discretionary financial reporting. Whereas Manan & Amin (2023) report a negative but statistically insignificant relationship. Furthermore, Obigbemi et al. (2016) presented empirical results showing a positive association, indicating that a more frequent board meeting is related to increased earnings management. Given these inconsistent findings reported in earlier studies, the second hypothesis is formulated as follows.

H2: *Board meeting frequency is inversely related to earnings management in Ethiopian private commercial banks.*

2.2.3. Board Gender Diversity

Recent corporate governance research has increasingly emphasized board gender diversity. In this context, and consistent with prior studies, it is measured as the proportion of females serving as board members. This measurement is appropriate for the Ethiopian private commercial bank context, where the corporate governance framework emphasizes on gender representation rather than mandatory quotas. The proportion of women in boardrooms has received growing attention in academic and policy circles (Crocì, 2018). As voluntary efforts have been proven insufficient, several countries have introduced legal mandates to improve gender balance on corporate boards (Kent et al., 2018). Under agency theory, gender diversity of a board is advocated as a means to improve supervisory effectiveness (Gull et al., 2018). Resource dependency theory highlights the relevance of board gender diversity in fostering ethical consideration and acquiring essential resources (Nadeem et al., 2017; Khan, Kamal, Abbas, et al., 2022). Nevertheless, the existing studies on the impacts of female board representation on earnings manipulation provide inconsistent findings.

For instance, Hutchinson et al. (2015) and Isidro & Sobral (2015) suggest that a higher proportion of women on company boards has many advantages, including providing new ideas and perceptions, growing corporate value, enhancing communication, making valuable decisions, minimizing earnings management practices, minimizing agency costs, creating competitive advantages, enhancing earnings quality, leading to reliable financial reports, and enhancing financial reporting. These arguments are consistent with resource dependency theory, which

emphasizes the value of diverse board resources. Similarly, Wahyuningsih & Rasmini (2020) stated that females are more efficient in preventing and solving financial reporting irregularities. Moreover, Iylia Dayana Mohamed Izwan et al. (2023) argue that active participation of female board members is necessary to significantly influence earnings management.

However, Li (2021) and Goel & Kapoor (2022) report a statistically significant positive link between board gender diversity and earnings management. In contrast, Elghuweel et al. (2017) and Osemene et al. (2024) report that the proportion of female directors on the board is not significantly associated with earnings management. In Ethiopia's banking sector, female participation on boards remains relatively low, which may influence their supervisory role and reduce their ability to influence board decisions and the discretionary behaviour of management. Although female directors may improve oversight quality and ethical oversight, their impact may be weaker or statistically insignificant in circumstances where their representation on the board is low (Adams & Ferreira, 2009; Joecks et al., 2013; Kanter, 1977). Given these mixed results and the institutional context of Ethiopia, the third hypothesis is developed as outlined below.

H3: *Board gender diversity is inversely related to earnings management in Ethiopian private commercial banks.*

2.2.4. Audit Committee Size

Ali (2024) defines an audit committee as an independent internal body that assures external stakeholders of the organization's ethical conduct. Ethiopia's bank governance legislation No. SBB/71/2019 requires the bank to have at least three members. However, there is disagreement concerning the impact of audit committee size on earnings manipulation. From a supervisory perspective, a large committee is expected to improve oversight ability by comprising a greater diversity of expertise and strengthening control over reporting procedures (Abbott et al., 2004).

Prior studies that examine its effect on earnings discretion have provided mixed and unsettled findings. For instance, Hamdan et al. (2013) report a negative association between audit committee size and earnings quality, suggesting that

large audit committee size improves financial reporting supervision. Similarly, Galal et al. (2022) report a statistically significant negative relationship between audit committee size and earnings management. In contrast, Ali (2024) discovers a statistically significant and positive association between audit committee size and earnings management in Ethiopian insurance companies. Habbash et al. (2013), on the other hand, reported that there is an insignificant association between audit committee size and earnings manipulation. Nassir Zadeh et al. (2023) also stated that although the audit committee size can influence earnings management, it lacks a strong link with earnings management. Given the inconsistent results of these studies and the Ethiopian banking context, the fourth hypothesis was developed as presented below:

H4: *Audit committee size is inversely related to earnings management in Ethiopian private commercial banks.*

2.2.5. Audit Committee Meeting Frequency

In this study, the frequency of audit committee meetings is measured as the number of sessions conducted annually by the committee. Ethiopia's bank governance regulation No. SBB/71/2019 requires the audit committee to conduct meetings a minimum of once a month, which shows the relevance of regular oversight in the financial reporting process. From corporate governance perspectives, more frequent audit committee meetings are expected to improve monitoring effectiveness by providing a timely review of financial information, internal controls, and managerial action, and previous studies consider meeting frequency as an essential indicator of audit committee consciousness and governance oversight (Abbott et al., 2004; Yin et al., 2012).

Several existing research studies on audit committee meeting frequency and earnings manipulation provide inconsistent results. For instance, Bamahros (2016) reported that the number of audit committee meetings is adversely related to discretionary current accruals, indicating that more meetings enhance supervision. Moreover, Alzoubi (2019) stated that the frequency of audit committee meetings minimizes discretionary accruals. Similarly, the study by

Kapkiyai et al. (2020) reports that frequent audit committee meetings significantly reduce earnings manipulation in Kenyan publicly listed firms. In addition, in their study, Jameel et al. (2024) investigate the effect of audit committee attributes on earnings manipulation in Dubai banks. Their findings show that frequent and strict committee meetings result in higher financial reporting quality, which in turn reduces earnings management. In contrast, Ali (2024) reports a strong direct relationship between audit committee meeting frequency and earnings management. Considering the above inconsistent results and the Ethiopian banking context, the fifth hypothesis is developed as outlined below:

H5: *Audit committee meeting frequency is inversely related to earnings management in Ethiopian private commercial banks.*

2.2.6. Audit Committee Financial Expertise

Ali (2024) stated that audit committees are accountable for checking financial statement accuracy and examining the financial reporting process. In this study, audit committee financial expertise is measured as the proportion of audit committee members who possess qualifications in accounting, finance, auditing, banking, or other related fields. The Ethiopian bank governance regulation No. SBB/71/2019 mandates the audit committee members to include at least one individual with financial and accounting expertise. According to the Securities and Exchange Commission (2003), the audit committee's financial expertise includes a principal financial officer, a chief financial officer, an accounting or auditing professional, or a company president. However, previous research shows a contradictory finding regarding its effect on earnings manipulation. For example, Badolato et al. (2014) stated that the audit committee's financial know-how and status are essential for mitigating aggressive, fraudulent activity. Aldamen et al. (2024) also reported that an audit committee's financial expertise is negatively linked to irregular cash flow operation and production cost, implying minimal earnings manipulation engagement.

On the other hand, in their study Abu Siam et al. (2018) investigate the link among audit committee professionalism, accrual quality, and corporate governance, reporting a strong positive link between accrual quality and accounting professionalism. Moreover, Cheung & Chung (2022) con-

duct another study that found a direct link between accounting academics and auditing expertise and earnings manipulation. Similarly, Ali (2024) reported a strong direct association between the audit committee's financial profession and earnings manipulation in Ethiopian insurance companies. Given the preceding contradictory findings, the sixth hypothesis is formulated as presented below:

H6: *Audit committee financial expertise is inversely related to earnings management in Ethiopian private commercial banks.*

2.2.7. Audit Committee Independence

Academics and experts underlined the importance of audit committee independence to oversee earnings management. Accordingly, and in line with prior corporate governance literature, in this study, audit committee independence is defined as the ratio of independent members to the total number of audit committee members (Ali, 2024). This ratio-based measure reflects the degree of autonomy and objectivity exercised by the audit committee in overseeing the financial report. Moreover, this definition aligns with Ethiopian banking corporate governance requirements, which focus on independence as a requirement for effective audit committee supervision. The Ethiopian banking corporate governance regulation No. SBB/71/2019 requires each bank's audit committee to include at least one independent member. Previous research that examines the impact of committee independence on earnings management provided contradictory findings. For instance, Nelwan & Tansuria (2019) found an inverse statistically significant linkage between earnings management and the independent audit committee. Moreover, Masmoudi Mardessi & Makni Fourati (2020) investigated a sample of 80 nonfinancial companies between 2010 and 2017. Their study results revealed that an audit committee's independence limits earnings manipulation. Similarly, Alkebsee et al. (2022) investigate the association between audit committee independence and discretionary accruals in China, reporting that a higher ratio of independent audit committee members is significantly and negatively correlated to discretionary accruals. In contrast, Galal et al. (2022) report a substantial direct association between the proportion of independent audit committee

members and discretionary accruals in Egyptian listed companies, indicating that independence alone may not ensure effective oversight. Habbash (2019) and Nassir Zadeh et al. (2023) also examine the effects of an independent audit committee on earnings management and report no substantial link. Given the preceding inconsistent empirical evidence, the seventh hypothesis is established as outlined below:

H7: *Audit committee independence is inversely related to earnings management in Ethiopian private commercial banks.*

3. Research Materials and Methods

3.1. Data and Sample

To analyze the impacts of governance attributes on earnings manipulation, this study adopts a quantitative method, combining both descriptive and explanatory research designs. The required quantitative data were gathered from 16 Ethiopian private commercial sample banks over a period of 10 years (2015-2024). For data collection, banks' websites, which release annual audited financial reports, as well as the website of the National Bank of Ethiopia, were used. The study period was selected based on the presence of reliable data for most banks and the increased emphasis on corporate governance during these periods. Non-financial institutions and other financial sectors are excluded from the sample because their cash flow from operations, reported earnings, and regulations are significantly different from banks'. The sample banks were chosen based on two main criteria: (i) the presence of complete financial data over the study period and (ii) availability of nonfinancial information, including board characteristics and audit committee attributes. According to the National Bank of Ethiopia's fourth quarter report for 2023/2024, thirty-two banks are operating in Ethiopia, of which thirty are privately owned commercial banks. This study purposively selects 16 banks among the thirty private commercial banks based on access to required data during the research period. Out of thirty Ethiopian privately owned commercial banks operating over the study period, 14 were excluded due to their establishment after 2015, as shown in **Table 1**. Therefore, the findings of this study are interpreted with reference to these sixteen private commercial banks included in the sample.

Table 1. The Study Sample

Details	Number	%
Total number of private commercial banks	30	100
Minus banks which are newly established after the study period	(14)	46.67
Final sample	16	53.33
Observation period (2015 to 2024)	10 years	
Final number of observations	160	

3.2. Variables and Measurement

In this study, three categories of variables are considered by the researcher: dependent, explanatory, and control variables. All of which are defined in **Table 2**.

3.2.1 Dependent Variable (Earnings Management)

A thorough review of existing literature shows that loan loss provision is a commonly utilized earnings manipulation strategy among bank executives (Zgarni & Fedhila, 2019). Zgarni & Fedhila (2019) noted that loan loss provisions represent the most widely used strategy for managing earnings and classified them as discretionary and non-discretionary. This research uses discretionary loan loss provisions as a proxy of earnings management. Following Zgarni & Fedhila's (2019) two-stage technique, the discretionary loan loss provisions are derived through the following steps.

First, total provisions are calculated by identifying the non-discretionary components. Second, the discretionary components are computed by subtracting non-discretionary parts from total provisions. Accordingly, total loan loss provisions (LLP) are the sum of managerial discretion and non-discretionary components.

Step 1: To estimate the loan loss provision:

$$LLP_{it} = \alpha_0 + \alpha_1 NPL_{i,t-1} + \alpha_2 \Delta NPL_{it} + \alpha_3 \Delta LOAN_{it} + \epsilon_{it} \quad (1)$$

Where:

- LLP_{it} represents loan loss provision for bank i at year t normalized by total loans at the end of year $t-1$.
- $NPL_{i,t-1}$ denotes non-performing loans at the start of the period divided by total loans at the end of year $t-1$.

- ΔNPL_{it} is the change in non-performing loans during year t divided by the total loans in year $t-1$.
- $\Delta LOAN_{it}$ refers to the change in total loans for bank i at year t normalized by the total loans at the end of year $t-1$.
- ϵ_{it} is the error term, representing the discretionary component of the provisions.

In this model, total provisions are computed to obtain the $\alpha_0, \alpha_1, \alpha_2$, and α_3 coefficient estimators. The obtained estimators ($\hat{\alpha}_0, \hat{\alpha}_1, \hat{\alpha}_2, \hat{\alpha}_3$) were subsequently used to compute the non-discretionary provisions.

$$NDLLP_{it} = \hat{\alpha}_0 + \hat{\alpha}_1 NPL_{it} + \hat{\alpha}_2 \Delta NPL_{it} + \hat{\alpha}_3 \Delta LOAN_{it} \quad (2)$$

Where:

NDLLP: Represents the components of loan loss provision that arise from normal credit risk rather than managerial discretionary action.

$\hat{\alpha}_1, \hat{\alpha}_2$, and $\hat{\alpha}_3$: represent how loan loss provisions respond to the level and variation in non-performing loans and loan growth, reflecting expected provisioning behaviour driven by credit risk rather than managerial discretion.

Step 2: Estimation of discretionary components of loan loss provisions (DLLP):

This is derived as the residual component from the first-stage model, as follows:

$$DLLP_{it} = \hat{\epsilon}_{it} = LLP_{it} - NDLLP_{it}$$

It can be further computed as

$$DLLP_{it} = LLP_{it} - (\hat{\alpha}_0 + \hat{\alpha}_1 NPL_{it} + \hat{\alpha}_2 \Delta NPL_{it} + \hat{\alpha}_3 \Delta LOAN_{it}) \quad (3)$$

Where:

$NDLLP_{it}$ represents the non-discretionary component of the loan loss provision of bank i in year t .

$DLLP_{it}$ denotes the discretionary components of loan loss provisions of bank i in year t .

3.2.2 Explanatory Variables (Corporate Governance Attributes)

This study employs governance attributes as its main explanatory variable, and it is categorized into board and audit committee-related factors. Board-related factors consist of board size, gender diversity, and meeting frequency. Similarly, audit committee-related factors comprise committee size, meeting frequency, financial competence, and independence. The operational definitions and measurement approaches of these factors are summarized in **Table 2**.

Table 2. Operational Summary of Study Variables and Measurement

Symbol	Variable	Measurement
EM	Earnings management	Discretionary component of loan loss provisions
DLLP	Discretionary loan loss provision	Total loan loss provision minus estimated non-discretionary component
BrdGD	Board gender diversity	Proportion of female directors on the board
Brdsize	Board size	Total number of directors serving as board members
BrdMee	Board meeting frequency	Number of board meetings conducted annually
FrmSize	Firm Size	Natural logarithm of total asset size
RoA	Return on assets	Net income divided by total assets
FL	Financial leverage	Total liability divided by total assets
ACSize	Audit committee size	Total number of members serving on the audit committee
ACMee	Audit committee meetings	Number of audit committee sessions held per year
ACFex	Audit committee financial expertise	Number of audit committee members with financial knowledge divided by the total number of audit committee members
ACInd	Audit committee independence	Percentage of independent members serving in the audit committee

3.2.3 Control Variables

Based on previous earnings management (EM) and corporate governance (CG) literature (Abdou et al., 2021; Assfaw & Sharma, 2024), this study incorporates three firm-specific variables—firm size, return on assets, and financial leverage—to examine their effects on earnings management. **Table 2** presents the summary of these variables.

In this study firm size is calculated using the natural logarithm of banks' total assets. Total asset size is considered a reliable proxy for firm size (Kirshin & Volkov, 2018). A firm's size determines the extent an organization minimizes agency conflict, consequently influencing agency cost (Hashmi et al., 2020). Large corporations face higher political costs due to their frequent media coverage. Chen et al. (2013) reported that firm size is directly related to audit quality, which in turn influences earnings management. Furthermore, Uwugbe et al. (2015) stated that large firms have the opportunity to

overstate earnings due to their complex operations, which is difficult for stakeholders to detect. Gorganlidavaji & Vakilifard (2014) found that larger firms have higher political costs, which may motivate them to change reported earnings. In contrast, Wuryani (2013) noted that firms with huge assets are deemed to be less risky than firms with small assets. However, Martens et al. (2021) found no statistically meaningful variation in efficiency between small and large banks, despite investigating 567 banks across 22 frontier economies, which implies that bank size and earnings management practice have no clear correlation. In addition, Gajdosikova et al. (2022) assessed various firm-specific factors that affect earnings management and concluded that large bank size is not necessarily positively related to earnings management.

Return on assets is another firm-specific variable considered in this study. Prior studies on its relationship with earnings manipulation pro-

vide contradictory results. For instance, Al-zoubi (2018) reported a significant negative association between return on assets and earnings management in Jordan, indicating that firms with more profitability are less inclined to manipulate earnings. Similarly, the study result by Alhadab & Own (2017) reported that earnings management is negatively related to firm value, as measured by RoA. Another study conducted in Anglophone sub-Saharan countries by Boachie & Mensah (2022) found that earnings management and firm performance, measured by RoA, are inversely related. In contrast, Abraham Lincoln Ayisi et al. (2021) and Kalbuana et al. (2021) reported that ROA and earnings manipulation practices have a significant positive relationship. This indicates that businesses with higher profitability are more likely to engage in earnings management. Furthermore, another study carried out in sub-Saharan African countries by Edesiri & Confidence (2020) confirmed that ROA and earnings manipulation have a statistically significant positive relationship.

Moreover, this study incorporates financial leverage as an additional firm-related variable. According to Rao et al. (2020) and Yeboah & Takacs (2018), leverage serves as a measure of a firm's capacity to meet its debt obligations. However, empirical results regarding its effect on earnings management are inconsistent. Some scholars suggest that higher leverage may curb managers' opportunistic behavior. For example, Nelly (2021) found that higher financial leverage is associated with minimal accrual-based earnings manipulation, implying that earnings manipulation is non-existent or minimal in high-risk firms such as banks.

3.2.4 Conceptual Framework

The conceptual framework of this study demonstrates how corporate governance attributes and other control variables affect earnings management in Ethiopian private commercial banks. In this study, 10 variables are chosen, including control variables based on earlier research, as indicated in **Figure 1**.

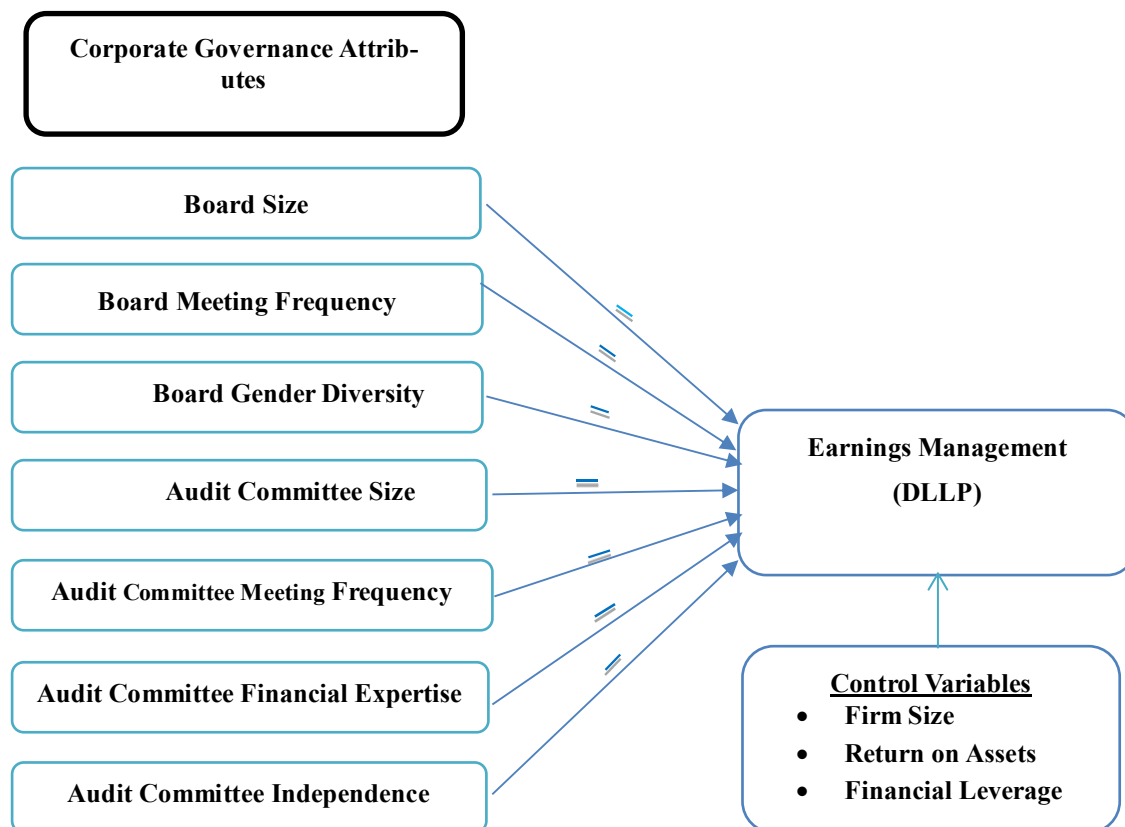


Figure 1. Conceptual Framework of the Study

Source: Developed by the researchers based on the literature.

Note: Solid arrows in **Figure 1** represent the proposed link between governance attributes and earnings management (DLLP), where a sign (–) denotes a negative relationship.

3.3. Model Specification

To analyze the impacts of governance attributes and firm-specific factors on earnings management (proxied by DLLP), a dynamic panel data model has been used. Dynamic data modeling is appropriate in this context, as earnings management behavior tends to persist over time, and previous practices may influence current decisions. To account for this potential persistence and prevent omitted variable bias, the lagged value of the dependent variable ($DLLP_{it-1}$) is used as a regressor. However, incorporating the lagged dependent variable into a panel data model with fixed effects may result in endogeneity due to correlation with the error term. Furthermore, certain independent variables may also be endogenous. To handle the econometric concerns of endogeneity, unobserved heterogeneity, and autocorrelation, this study applies the system GMM estimator developed by Arellano & Bover (1995) and Blundell & Bond (1998). This estimator is employed due to its ability to solve the endogeneity issue by using lagged variables as internal instruments, thereby providing strong and consistent estimates on the dynamic association between governance attributes and earnings management.

Given the small sample size, this study applies the one-step system GMM estimator with robust standard errors, as the two-step system GMM estimator may produce downward-biased standard errors in small sample sizes. To mitigate the problem of instrumental proliferation, the instrument count is reduced by restricting the lag length. The validity of the internal instruments has been ensured by the Hansen test of over-identifying restriction and the Sargan test, while the lack of second-order serial correlation was confirmed through the Arellano-Bond AR(2) test. By using the lagged value of endogenous variables as internal instruments, this technique employs both the first differenced equation (to reduce fixed effects) and the levels equation (to increase efficiency).

To test the hypothesis, this study estimates the impacts of explanatory and other control variables on the natural logarithm of absolute value of DLLP. The econometric model employed in this work is adopted from other studies, including Shawtari et al. (2015), Zgarni & Fedhila (2019), and Djebali & Zaghdoudi (2020).

$$\begin{aligned} DLLP_{it} &= \alpha + \lambda DLLP_{i,t-1} + \beta_1 Brdsize_{it} \\ &+ \beta_2 BrdMee_{it} + \beta_3 BrdGD_{it} + \beta_4 ACSize_{it} \\ &+ \beta_5 ACMee_{it} + \beta_6 ACFex_{it} + \beta_7 ACInd_{it} \\ &+ \beta_8 FrmSize_{it} + \beta_9 RoA_{it} + \beta_{10} FL_{it} \\ &+ \varepsilon_{it} \end{aligned} \quad (4)$$

Where:

- $DLLP_{it}$ = Discretionary loan loss provision for bank i in year t (dependent variable)
- $DLLP_{it-1}$ = lagged discretionary loan loss provision
- $Brdsize$, $BrdMee$, $BrdGD$ = board characteristics: size, meeting frequency, and gender diversity
- $ACSize$, $ACMee$, $ACFex$, $ACInd$ = Audit committee Attributes: Size, meeting frequency, financial expertise, and independence
- $FrnSize$, RoA , FL = Control variable: Firm size, return on assets, and financial leverage
- λ = coefficient measuring the persistence of earnings management over time
- ε_{it} = error term
- α = constant term

4. Results and Discussion

The correlation matrix, empirical, and descriptive statistics results of all variables are outlined in this section. Similarly, the implications of insignificant and significant effects are discussed in the context of the Ethiopian private commercial banking sector and governance structures.

4.1. Descriptive Statistics

Based on 160 bank-year observations, **Table 3** provides the summary of descriptive statistics results for key variables used in this research. Discretionary loan loss provision (DLLP), a measure for earnings management, has a mean value of 9.553, ranging from 7.576 to 11.072, and deviates from the mean by 0.543, implying relatively slight variability across sampled private commercial banks. The mean value board size ($Brdsize$) among the sampled private commercial banks is 10.18 members, which ranges from 7 to 13, with a standard deviation of 1.549. The mean value of board gender diversity

(BrdGD), which ranges from 0 to 0.429, is 0.141 with the standard deviation of 0.099, implying the limited representation of females on the bank board. BrdMee in the sampled banks ranges from 13 to 19 meetings per year, with an average of 14.863 and a standard deviation of 1.315.

In addition, **Table 3** indicates that the mean AC-Size is 3.769 members, which deviates from the mean by 0.596 and has a range from 3 to 5. The sampled private commercial banks' audit committees have an average of 0.698 (69.8%) members who possess financial expertise (ACFex), which deviates from the mean by 0.112 (11.2%) and has values ranging from 0.5 (50%) to 1 (100%). The sample banks' audit committees meet 14.637 times per year on average, ranging from 12 to 18, and deviate from the mean by

1.544. ACind has a mean value of 0.572 (57.2%); it ranges between 0.25 (25%) and 0.75 (75%) and deviates from the mean by 0.149 (14.9%).

Similarly, **Table 3** indicates that firm size (FrmSize) has a mean value of 10.359, ranging between 9.058 and 11.451, and a standard deviation of 0.487. The mean value of ROA across sampled banks is 1.879, with a range between 0.003 and 4.899, and deviates from the mean by 1.423. Additionally, the mean value of financial leverage (FL) across the sample is 0.858, which ranges between the values of 0.738 and 0.921 and deviates from the mean by 0.034. The mean value of FL is comparatively high (85.8%); this implies that most banks' assets are financed by debt.

Table 3. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DLLP	160	9.553	0.543	7.576	11.072
Brdsize	160	10.181	1.549	7	13
BrdGD	160	0.141	0.099	0	0.429
BrdMee	160	14.863	1.315	13	19
ACSize	160	3.769	0.596	3	5
ACFex	160	0.698	0.112	0.5	1
ACMee	160	14.637	1.544	12	18
ACInd	160	0.572	0.149	0.25	0.75
FrmSize	160	10.359	0.487	9.058	11.451
RoA	160	1.879	1.423	0.003	4.899
FL	160	0.858	0.034	0.738	0.921

Source: Authors' computation based on banks' annual reports using Stata 14

4.2. Correlation Analysis

Table 4 presents the correlation coefficient of various governance characteristics, discretionary loan loss reserves, and control variables. The findings reveal that board meeting frequency (BrdMee), audit committee size (AC-Size), audit committee meeting frequency (AC-Mee), audit committee independence (ACInd), and audit committee financial expertise (ACFex) are all strongly and inversely associated with DLLP. These suggest that a higher level of these governance attributes is linked with a lower level of earnings management, as

measured by DLLP. Similarly, return on assets (ROA) and board gender diversity (BrdGD) exhibit a moderately negative correlation with DLLP, implying that higher values of these variables are associated with reduced discretionary loan loss provision.

In contrast, firm size (FrmSize) and financial leverage (FL) exhibit a strong positive correlation with DLLP, indicating that large and highly leveraged banks are more prone to earnings manipulation. Furthermore, there is a slight positive correlation between DLLP and Brdsize, suggesting that a larger Brdsize is modestly

linked to higher DLLP. Generally, the findings in **Table 4** below reveal that most corporate governance attributes have an effective role in minimizing earnings manipulation, whereas

certain firm-specific factors may create opportunities for greater discretionary financial reporting practices.

Table 4. Correlation Coefficient Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) DLLP	1.000										
(2) Brdsize	0.084	1.000									
(3) BrdGD	-0.051	-0.169	1.000								
(4) BrdMee	-0.821	-0.114	0.080	1.000							
(5) ACSIZE	-0.760	-0.104	-0.017	0.690	1.000						
(6) ACFex	-0.517	-0.124	0.071	0.478	0.186	1.000					
(7) ACMee	-0.737	0.017	0.017	0.703	0.688	0.450	1.000				
(8) ACInd	-0.617	0.037	0.106	0.469	0.306	0.381	0.328	1.000			
(9) FrmSize	0.838	0.155	-0.128	-0.694	-0.605	-0.416	-0.604	-0.600	1.000		
(10) RoA	-0.008	-0.080	0.004	0.148	0.218	-0.021	0.330	-0.445	0.004	1.000	
(11) FL	0.550	0.052	-0.056	-0.489	-0.323	-0.312	-0.484	-0.385	0.592	-0.143	1.000

Source: Authors' computation based on banks' annual reports using Stata 14

4.3. Multicollinearity Test

Table 5 below shows the results of the variance inflation factor (VIF) test conducted to examine the existence of multicollinearity among the study variables. The VIF values of the study variable range between 1.063 and 3.242, with the mean VIF of 2.10. The VIF value of all variables is below the commonly accepted level of 10, implying that the multicollinearity issue is

not a serious concern in the model. Likewise, the corresponding tolerance value (1/VIF) ranges between 0.941 and 0.308, which is above the minimum acceptable level of 0.10. These results indicate that the variables used in this study are not highly correlated with each other.

Table 5. Variance Inflation Factor (VIF) Results

Variables	VIF	1/VIF
ACMee	3.242	0.308
BrdMee	3.101	0.322
ACSize	2.865	0.349
FrmSize	2.861	0.350
FL	1.712	0.584
ACFex	1.616	0.619
RoA	1.303	0.767
Brdsize	1.136	0.880
BrdGD	1.063	0.941
Mean VIF	2.10	.

Source: Authors' computation using Stata 14

4.4. One-Step System GMM Results

Before presenting and interpreting the econometric results, the study assesses the potential presence of multicollinearity among variables using the pairwise correlation matrix and the variance inflation factor (VIF), as reported in **Table 4** and **Table 5**, respectively. The results indicate no evidence of multicollinearity, as all pairwise correlation coefficients are below 0.8

and all VIF values are below the recommended threshold of 10.

Table 6 presents the econometric findings on the effects of corporate governance attributes on earnings management, as measured by discretionary loan loss provision (DLLP), estimated by a one-step GMM approach. The diagnostic tests reported alongside the estimation

supports the reliability of the model. The Arelano-Bond test indicates first-differenced errors are first-order correlated AR(1), whereas the AR(2) test results show no second-order autocorrelation, as its p-value exceeds the 5% threshold. Moreover, both the Sargan and Hansen test results support the validity of instruments used in the system GMM estimation, indicating that the instruments are appropriate and the model is free from over-identification concerns.

The empirical findings presented in **Table 6** further indicate that, at the 5% significance level, the first lag of DLLP has a significantly positive effect on the present period's DLLP. Quantitatively, a one-unit increase in the prior period's DLLP leads to a 0.375 increase in the current period's DLLP, holding other variables constant. This implies the presence of a persistence pattern in earnings management practice.

Moreover, the results in **Table 6** demonstrate that board size (Brdsize) does not have a statistically significant effect on DLLP. This indicates that variations in Brdsize have a limited influence on how earnings are managed in Ethiopian private commercial banks. Consequently, H1 is rejected. Although earlier studies have reported the significance of board size in shaping DLLP (e.g., Al-Musalli & Ismail, 2012; Ming-Feng Hsu & Wen, 2015; Farag et al., 2018; Hashed & Almaqtari, 2021), the finding of the present study indicates that Brdsize does not have a significant effect on DLLP. One possible reason is that the board appointments in Ethiopian banks are often influenced by regulatory and social considerations rather than professional expertise and governance effectiveness. Another possible reason relates to the relatively homogeneous nature of bank boards in Ethiopia, where most banks have similar board structures, thereby limiting the outcome of variation in board size.

Likewise, board gender diversity (BrdGD) does not have a statistically significant association with DLLP, implying that changes in gender composition do not significantly influence discretionary loan loss provision once other factors remain constant. As a result, H3 is rejected. Even though earlier studies have highlighted the significance of BrdGD in influencing DLLP (e.g., Hutchinson et al., 2015; Isidro & Sobral, 2015; Wahyuningsih & Rasmini, 2020), the re-

sult of this study reveals no significant relationship. This may be attributed to lower representation or non-existence of females on the board, approximately 14.1% in the sample, and their engagement in the board is to meet regulatory requirements rather than enhance governance. As a result, variation in BrdGD may not exert a strong influence on managerial decisions related to earnings management. This finding is consistent with those of Elghuweel et al. (2017) and Osemene et al. (2024), who likewise report an insignificant association.

However, board meeting frequency (BrdMee) exhibits a statistically significant and inverse association with DLLP at a 1% level, with other factors remaining constant. Hence, H2 is accepted. This demonstrates that a one-unit increase in board meeting frequency per year is associated with a 0.058 (approximately 5.8%) decrease in DLLP, indicating the role of regular board meetings in strengthening supervision and minimizing DLLP. This result is consistent with the results reported by Sangboonnak (2016), Chouaibi et al. (2018), and IO Eze (2017) but contrasts with the evidence presented by Manan & Amin (2023), who reported an insignificant relationship.

Moreover, at the 1% level, ACSIZE has a statistically significant inverse effect on DLLP, the estimated coefficient indicating that an increase of one person in the audit committee is linked with a 0.297 unit decrease in DLLP, other factors remaining constant. Therefore, H4 is accepted. The findings indicate that a larger audit committee improves monitoring effectiveness and financial oversight, thereby reducing managers' motive to engage in earnings management. This finding is consistent with the majority-minority agency framework, which states that the larger audit committee improves collective supervision and minimizes the ability of dominant shareholders to influence provisioning decisions for individual benefit. Moreover, this outcome supports the reasoning of Haddad et al. (2015), who argue that a strong internal governance system helps to protect minority shareholders by curbing opportunistic financial reporting practices. Additionally, this result is consistent with Basel Pillar II, which focuses on the importance of a sufficient governance structure and effective internal control over credit risk management and provisioning procedures.

However, the result contrasts with that of Habbash et al. (2013), who reported no meaningful association between ACSize and DLLP.

Furthermore, ACFex exhibits a statistically meaningful inverse impact on DLLP at the 1% level of significance, implying that a 1% growth in financially skilled audit committee members leads to a 0.677 (approximately 67.7%) decrease in DLLP *ceteris paribus*. The results are consistent with H6. The findings suggest that greater financial expertise within the audit committee substantially improves the committee's supervision effectiveness and reduces managerial discretion in financial reporting. The result supports the type II agency view and the arguments of Haddad et al. (2015), suggesting that a financially skilled audit committee is crucial in preventing type II agency problems by strengthening the internal control system and reducing discretionary behavior. Similarly, this finding aligns with the principles of Basel Pillar II, which emphasizes the need for knowledgeable and competent supervisory bodies that can effectively understand provisioning practices and complicated credit risk models. However, this finding contrasts with those of Abu Siam et al. (2018), who reported a direct link regarding accrual quality and ACFex.

In addition, the results indicate that ACMee has a significant inverse effect on DLLP at a 5% significant level. Specifically, each additional meeting is linked to a 0.038 (3.8%) decrease in DLLP, holding other factors constant. These findings support H5. This implies that more frequent meetings improve the effectiveness of audit committee oversight. This result aligns with majority-minority agency views, which argue that frequent audit committee meetings enhance supervision and minimize information gaps, thereby helping the audit committee to evaluate provisioning practices and credit risk closely and minimize discretionary loan loss provision. Similarly, the finding of this study is in agreement with Basel Pillar II, which focuses on ongoing and active governance in risk management procedures. Furthermore, this finding is similar to Bamahros' (2016), who also documented a significant inverse association between ACMee and DLLP.

Similarly, the results reported in **Table 6** show that ACInd has a significant inverse effect on DLLP at a 1% significance threshold. The result supports H7. The estimated coefficient implies

that, other things remaining constant, a 1% rise in ACInd is related to a 0.481 (approximately 48.1%) decline in DLLP. This result confirms the importance of greater independence in reducing DLLP, as independent auditors are less prevalent to pressure from majority shareholders and can protect earnings manipulation. This finding is strongly aligned with the type II agency perspective, which highlights conflicts among majority and minority shareholders. It is also consistent with the arguments of those in Haddad et al. (2015) who argue that independence in the corporate governance framework is essential for minimizing ownership-related agency problems in ownership-concentrated firms. Furthermore, this result is consistent with the regulatory expectations of Basel Pillar II, which emphasizes the role of independent controlling bodies in promoting reliable financial reporting and effective management of credit risk. Finally, it is also consistent with Sun et al. (2011), who found that greater ACInd is associated with lower DLLP.

Moreover, the findings show that firm size (FrmSize) has a statistically insignificant inverse linkage with DLLP. This implies that FrmSize does not significantly affect discretionary loan loss provisions within Ethiopian private commercial banks. The result is consistent with Martens et al. (2021) and Gajdosikova et al. (2022), who also reported no significant relationship between FrmSize and DLLP.

However, RoA has a significantly positive impact on DLLP at the 1% level, implying that a 1% increase in RoA corresponds with a 0.041 (approximately 4.1%) rise in DLLP. This indicates that higher profitable banks are more likely to engage in DLLP. One possible reason is that banks that have more ROA face stronger incentives to maintain or report favourable performance to attract investors or comply with performance benchmarks, which may encourage discretionary provisioning behaviour. This result aligns with the findings of Edesiri & Confidence (2020), Abraham Lincoln Ayisi et al. (2021), and Kalbuana et al. (2021) but contrasts with Alhadab & Own (2017), Alzoubi (2018), and Boachie & Mensah (2022), who found a statistically significant negative association.

Finally, financial leverage (FL) exhibits a statistically insignificant positive association with

DLLP, suggesting that leverage does not significantly influence discretionary loan loss provision in Ethiopian sampled private commercial banks. This may be due to regulatory oversight

and institutional internal factors, despite a relatively high level of leverage. This finding contrasts with the finding of Nelly (2021), who reported a negative association between financial leverage and discretionary loan loss provision.

Table 6. One-Step System GMM Results (Dependent Variable: DLLP)

DLLP	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
L.DLLP	0.375	0.175	2.14	0.032	0.032	0.718	**
Brdsize	-0.014	0.009	-1.58	0.115	-0.031	0.003	
BrdGD	-0.057	0.188	-0.31	0.760	-0.425	0.311	
BrdMee	-0.058	0.015	-3.86	0.000	-0.087	-0.028	***
ACSize	-0.297	0.032	-9.21	0.000	-0.360	-0.234	***
ACFex	-0.677	0.175	-3.86	0.000	-1.020	-0.334	***
ACMee	-0.038	0.019	-2.06	0.040	-0.074	-0.002	**
ACInd	-0.481	0.136	-3.54	0.000	-0.747	-0.215	***
FrmSize	-0.069	0.190	-0.36	0.718	-0.440	0.303	
RoA	0.041	0.014	2.93	0.003	0.014	0.068	***
FL	1.226	0.748	1.64	0.101	-0.240	2.692	
Constant	9.015	0.745	12.10	0.000	7.554	10.475	***

AR (1): $z = -2.36$, P-Value = 0.018

AR (2): $z = 0.85$, P-Value = 0.394

Sargan test: $\chi^2(2) = 1.67$, P-Value = 0.433

Hansen test: $\chi^2(2) = 2.34$, P-Value = 0.311

Note: *** and ** Indicate statistical significance at 1% and 5% levels, respectively.

The Sargan and Hansen tests evaluate the soundness of internal instruments used in the one-step system GMM estimation, where a P-value above 0.05 indicates that the instruments are valid. The Arellano-Bond AR(1) and AR(2) tests are used to examine the presence of first- and second-order autocorrelation in the first differenced residuals.

Source: Authors' computation based on banks' annual reports using Stata 14

5. Conclusion, Policy Implications, Limitations and Future Research Direction

5.1. Conclusion and Policy Implications

The study investigates the impacts of corporate governance attributes on DLLP in Ethiopian private commercial banks. This study utilizes balanced annual panel data obtained from the annual reports and official websites of sixteen sampled banks over the period of 2015 to 2024. The analysis applies the one-step system GMM estimator to estimate the model parameters and address the problems of unobserved endogeneity and heteroscedasticity.

To the best of the researchers' knowledge, no empirical study has jointly investigated board characteristics and audit committee attributes,

including board size, meeting frequency, BrdGD, ACSize, ACMee, financial expertise, and independence, to assess their effects on earnings management in Ethiopian private commercial banks. By addressing this gap, the study extends existing corporate governance studies, using a quantitative approach with both descriptive and exploratory research designs.

The empirical findings of this study reveal that board meeting frequency (BrdMee) and audit committee factors-specifically audit committee size (ACSize), financial expertise (ACFex), meeting frequency (ACMee), and independence (ACInd)-have a significant negative effect on earnings management. Whereas the lagged value of discretionary loan loss provision (DLLP) exhibits a positive, persistent, and significant impact on the current period's earnings management. Similarly, return on assets (RoA)

has a significant positive impact on earnings management. Board size (BrdSize), gender diversity, financial leverage, and firm size do not show a noticeable effect on earnings management.

The results of this research have several important policy implications. First, the result shows that the statistically significant coefficient of lagged DLLP indicates that earnings management practices tend to persist over time in Ethiopian banks. To reduce the persistence of earnings manipulation in these banks, the National Bank of Ethiopia (NBE) should enhance monitoring mechanisms, strengthen enforcement of governance policies, and conduct continuous oversight. Second, the Ethiopian private commercial banks should move beyond symbolic compliance requirements to improve board gender diversity. Regulators, specifically the National Bank of Ethiopia (NBE), should motivate private commercial banks to use a merit-based nomination strategy that gives priority to professional expertise and financial literacy among female board candidates. Third, privately owned commercial banks in Ethiopia should strengthen audit committee independence by minimizing the appointment of directors who are socially connected or executive-affiliated. Each private commercial bank should have a clear internal policy that can separate board supervision from management influence. The National Bank of Ethiopia (NBE) should further support each commercial bank by issuing clear governance directives regarding the independence of audit committee members. Fourth, improving the financial expertise of audit committee members is essential for reducing earnings management. As a result, Ethiopian private commercial banks should have at least one audit committee member who possesses qualifications in auditing, accounting, or finance, which are complemented by continuous professional development. Finally, banks should increase board and audit committee practices, including the frequency of board meetings and the number of audit committees, and manage critical financial indicators, such as

RoA, to minimize incentives for earnings manipulation, while also determining the ideal board size to ensure effective oversight.

5.2.Limitations and Future Research Direction

Despite its contribution, and like many previous studies, this study has certain limitations. Most notably, the sample includes only sixteen private commercial banks, which may not be sufficient to conclude, particularly considering that Ethiopia currently has over 30 private commercial banks. As a result, the exclusion of newly established private banks after the study period may affect the generalizability of findings, as these banks may have different corporate governance structures and reporting processes. Furthermore, the study examines only seven corporate governance dimensions and does not incorporate other relevant governance attributes, such as ownership structure, CEO duality, the independence of remuneration and nomination committees, or external factors. The exclusion of these governance attributes and other external factors may affect the completeness of the analysis, as governance attributes and other external factors may interact with the bank's internal control system in shaping earnings manipulation practices. In addition, the study exclusively focuses on Ethiopian private commercial banks; therefore, the results may not be directly generalizable to other industries. Public banks are not included in the sample because of their distinct ownership structure and regulatory frameworks, which may affect earnings manipulation differently. Consequently, the finding may not be generalizable to all banks. Nevertheless, these limitations do not reduce the reliability of the study's core findings. Future studies should address these gaps by incorporating newly established banks after the study period, state-owned banks, other financial sectors such as insurance or microfinance institutions, expanding the set of governance attributes to include external institutional factors, and using cross-country or panel datasets to enhance robustness and generalizability.

Competing interests

The authors declare no competing interests

References

Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit Committee Characteristics and Restatements. *AUDITING: A Journal of Practice & Theory*, 23(1), 69–87.

<https://doi.org/10.2308/aud.2004.23.1.69>

Abdou, H. A., Ellelly, N. N., Elamer, A. A., Hussainey, K., & Yazdifar, H. (2021).

- Corporate governance and earnings management nexus: Evidence from the UK and Egypt using neural networks. *International Journal of Finance & Economics*, 26(4), 6281–6311. <https://doi.org/10.1002/ijfe.2120>
- Abraham Lincoln Ayisi, Zhang Wenfang, Joseph Adu-Gyamfi, Agyemang Kwasi Sampene, & Ofori Charles. (2021). Accrual earnings management, real earnings management and firm performance: A panel data analysis. *EPRA International Journal of Economics, Business and Management Studies*, 37–47. <https://doi.org/10.36713/epra7078>
- Abu Siam, Y., Idris, M., & Al- Okdeh, S. (2018). The moderating role of family control on the relationship between audit committee financial expertise and earnings management. *International Journal of Business and Management*, 13(12), 31. <https://doi.org/10.5539/ijbm.v13n12p31>
- Adams, R. B., & Ferreira, D. (2009). Women in the boardroom and their impact on governance and performance☆. *Journal of Financial Economics*, 94(2), 291–309. <https://doi.org/10.1016/j.jfineco.2008.10.007>
- Afonso Alves, C., Matias Gama, A. P., & Augusto, M. (2021). Family influence and firm performance: The mediating role of stewardship. *Journal of Small Business and Enterprise Development*, 28(2), 185–204. <https://doi.org/10.1108/JSBED-01-2019-0015>
- African Development Bank. (2021). Ethiopia country focus report. African Development Bank Group.
- Ahmad, I., Sadiqa, B. A., & Khan, R. (2021). The impact of corporate governance practices on the firm financial performance of the non-financial firms. *Global Economics Review*, VI (I), 53–70. [https://doi.org/10.31703/ger.2021 \(VI-D\).05](https://doi.org/10.31703/ger.2021 (VI-D).05)
- Akileng, G. (2014). The efficacy of corporate governance in reducing opportunistic accounting earnings manipulations.
- Al Hajjar, C. A., Mokhtar, E. S., & Mandour, M. M. (2021). The impact of corporate governance on earnings management in Islamic and conventional banks. *BAU Journal - Society, Culture and Human Behavior*, 2(2). <https://doi.org/10.54729/2789-8296.1046>
- Albrecht, J. N., Haid, M., & Faisal, A. (2023). Agents or stewards? Non-profit organisations managing visitation: The case of New Zealand ecosanctuaries. *International Journal of Tourism Research*, 25(2), 279–292. <https://doi.org/10.1002/jtr.2565>
- Aldamen, H., Hollindale, J., Duncan, K., Horrocks, M., & Ziegelmayer, J. L. (2024). Audit committee financial expertise: Mitigation of real earnings management. *International Journal of Accounting and Finance*, 12(1/2), 110–130. <https://doi.org/10.1504/IJAF.2024.143380>
- Aleqab, M. M., & Ighnaim, M. M. (2021). The impact of board characteristics on earnings management. *Journal of Governance and Regulation*, 10(3), 8–17. <https://doi.org/10.22495/jgrv10i3art1>
- Alhadab, M. M., & Own, B. A.-. (2017). Earnings management and banks performance: Evidence from Europe. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 7(4), Pages 134-145. <https://doi.org/10.6007/IJARAFMS/v7-i4/3444>
- Ali, A. (2024). Audit committee characteristics and earning management of insurance companies in Ethiopia. *Cogent Business & Management*, 11(1), 2301136. <https://doi.org/10.1080/23311975.2023.2301136>
- Alkebeese, R. H., Tian, G., Garefalakis, A., Koutoupis, A., & Kyriakogkonas, P. (2022). Audit committee independence and financial expertise and earnings management: Evidence from China. *International Journal of Business Governance and Ethics*, 16(2), 176. <https://doi.org/10.1504/IJBGE.2022.121928>
- Almahrog, Y., Ali Aribi, Z., & Arun, T. (2018). Earnings management and corporate social responsibility: UK evidence. *Journal of Financial Reporting and Accounting*, 16(2), 311–332. <https://doi.org/10.1108/JFRA-11-2016-0092>
- Al-Musalli, M. A. K., & Ismail, K. N. I. K. (2012). Intellectual Capital Performance and Board Characteristics of GCC

- Banks. *Procedia Economics and Finance*, 2, 219–226. [https://doi.org/10.1016/S2212-5671\(12\)00082-2](https://doi.org/10.1016/S2212-5671(12)00082-2)
- Alzoubi, E. S. S. (2018). Audit quality, debt financing, and earnings management: Evidence from Jordan. *Journal of International Accounting, Auditing and Taxation*, 30, 69–84. <https://doi.org/10.1016/j.intac-caudtax.2017.12.001>
- Alzoubi, E. S. S. (2019). Audit committee, internal audit function and earnings management: Evidence from Jordan. *Meditari Accountancy Research*, 27(1), 72–90. <https://doi.org/10.1108/MEDAR-06-2017-0160>
- Arellano, M., & Bover, O. (1995). Another look at the instrumental variable estimation of error-components models. *Journal of Econometrics*, 68(1), 29–51. [https://doi.org/10.1016/0304-4076\(94\)01642-D](https://doi.org/10.1016/0304-4076(94)01642-D)
- Assfaw, A. M., & Sharma, D. (2024). Does corporate governance spur bank intellectual capital in an emerging economy? A system GMM analysis from Ethiopia. *Future Business Journal*, 10(1), 8. <https://doi.org/10.1186/s43093-023-00298-x>
- Attia, E. F., Ismail, T. H., & Mehafdi, M. (2022). Impact of board of directors attributes on real-based earnings management: Further evidence from Egypt. *Future Business Journal*, 8(1), 56. <https://doi.org/10.1186/s43093-022-00169-x>
- Badolato, P. G., Donelson, D. C., & Ege, M. (2014). Audit committee financial expertise and earnings management: The role of status. *Journal of Accounting and Economics*, 58(2–3), 208–230. <https://doi.org/10.1016/j.jaccec.2014.08.006>
- Bamahros, D. H. M. (2016). Audit committee characteristics and unexpected accruals: An empirical study of Malaysia. 23(3).
- Basel Committee on Banking Supervision. (2019). Pillar 2 framework: Supervisory review process. Bank for International Settlements.
- Ben Othman, H., & Mersni, H. (2014). The use of discretionary loan loss provisions by Islamic banks and conventional banks in the Middle East region: A comparative study. *Studies in Economics and Finance*, 31(1), 106–128. <https://doi.org/10.1108/SEF-02-2013-0017>
- Blundell, R., & Bond, S. (1998). Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics*, 87(1), 115–143. [https://doi.org/10.1016/S0304-4076\(98\)00009-8](https://doi.org/10.1016/S0304-4076(98)00009-8)
- Boachie, C., & Mensah, E. (2022). The effect of earnings management on firm performance: The moderating role of corporate governance quality. *International Review of Financial Analysis*, 83, 102270. <https://doi.org/10.1016/j.irfa.2022.102270>
- Bouvatier, V., & Lepetit, L. (2008). Banks' procyclical behavior: Does provisioning matter? *Journal of International Financial Markets, Institutions and Money*, 18(5), 513–526. <https://doi.org/10.1016/j.intfin.2007.07.004>
- Celtekligil, K. (2020). Resource Dependence Theory. In H. Dincer & S. Yüksel (Eds.), *Strategic Outlook for Innovative Work Behaviours* (pp. 131–148). Springer International Publishing. https://doi.org/10.1007/978-3-030-50131-0_7
- Chen, Y.-S., Hsu, J., Huang, M.-T., & Yang, P.-S. (2013). Quality, size, and performance of audit firms. *The International Journal of Business and Finance Research*, 7(5), 89–105.
- Cheung, K. Y., & Chung, C. V. (2022). The impacts of audit committee expertise on real earnings management: Evidence from Hong Kong. *Cogent Business & Management*, 9(1), 2126124. <https://doi.org/10.1080/23311975.2022.2126124>
- Chouaibi, J., Harres, M., & Ben Brahim, N. (2018). The effect of board director's characteristics on real earnings management: Tunisian-listed firms. *Journal of the Knowledge Economy*, 9(3), 999–1013. <https://doi.org/10.1007/s13132-016-0387-3>
- Croci, E. (2018). The Board of Directors. In E. Croci, *The Board of Directors* (pp. 1–39). Springer International Publishing. https://doi.org/10.1007/978-3-319-96616-8_1

- D. A., A., J. S., K., & R.O.C., S. (2011). Corporate governance and stakeholders interest: A case of Nigerian banks. *International Journal of Business and Management*, 6(10), p102. <https://doi.org/10.5539/ijbm.v6n10p102>
- Djebali, N., & Zaghdoudi, K. (2020). Testing the governance-performance relationship for the Tunisian banks: A GMM in system analysis. *Financial Innovation*, 6(1), 23. <https://doi.org/10.1186/s40854-020-00182-5>
- Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 16(1), 49–64. <https://doi.org/10.1177/031289629101600103>
- Drees, J. M., & Heugens, P. P. M. A. R. (2013). Synthesizing and Extending Resource Dependence Theory: A Meta-Analysis. *Journal of Management*, 39(6), 1666–1698. <https://doi.org/10.1177/0149206312471391>
- Ebaid, I. E.-S. (2023). Board characteristics and the likelihood of financial statements fraud: Empirical evidence from an emerging market. *Future Business Journal*, 9(1), 47. <https://doi.org/10.1186/s43093-023-00218-z>
- Eckles, D. L., He, E., Sommer, D. W., & Zhang, R. (2011). Earnings smoothing, executive compensation, and corporate governance: Evidence from the property-liability insurance industry. *Journal of Risk and Insurance*, 78(3), 761–790. <https://doi.org/10.1111/j.1539-6975.2011.01417.x>
- Edesiri, G., & Confidence, J. (2020). Does earnings management exert pressure on firms' return on assets and equity?: The case of Sub-Saharan Africa. *Ekonomski Horizonti*, 22(3), 221–233. <https://doi.org/10.5937/ekon-hor2003221O>
- Elghuweel, M. I., Ntim, C. G., Opong, K. K., & Avison, L. (2017). Corporate governance, Islamic governance and earnings management in Oman: A new empirical insights from a behavioural theoretical framework. *Journal of Accounting in Emerging Economies*, 7(2), 190–224. <https://doi.org/10.1108/JAEE-09-2015-0064>
- Eskero, P. (2020). A stakeholder perspective: Origins and core concepts. In P. Eskero, *Oxford Research Encyclopedia of Business and Management*. Oxford University Press. <https://doi.org/10.1093/acrefore/9780190224851.013.3>
- Farag, H., Mallin, C., & Ow-Yong, K. (2018). Corporate governance in Islamic banks: New insights for dual board structure and agency relationships. *Journal of International Financial Markets, Institutions and Money*, 54, 59–77. <https://doi.org/10.1016/j.intfin.2017.08.002>
- Gajdosikova, D., Valaskova, K., & Durana, P. (2022). Earnings Management and Corporate Performance in the Scope of Firm-Specific Features. *Journal of Risk and Financial Management*, 15(10), 426. <https://doi.org/10.3390/jrfm15100426>
- Galal, H. M., Soliman, M. M., & Bekheit, M. B. (2022). The Relation between Audit Committee Characteristics and Earnings Management: Evidence from Firms Listed on the Egyptian Stock Market. *American Journal of Industrial and Business Management*, 12(09), 1439–1467. <https://doi.org/10.4236/ajibm.2022.129080>
- García-Sánchez, I.-M. (2010). The effectiveness of corporate governance: Board structure and business technical efficiency in Spain. *Central European Journal of Operations Research*, 18(3), 311–339. <https://doi.org/10.1007/s10100-009-0112-4>
- Goel, S., & Kapoor, N. (2022). Is earnings management related to board independence and gender diversity? Sector-wise evidence from India. *International Journal of Disclosure and Governance*, 19(4), 363–373. <https://doi.org/10.1057/s41310-021-00130-4>
- Gull, A. A., Nekhili, M., Nagati, H., & Chtioui, T. (2018). Beyond gender diversity: How specific attributes of female directors affect earnings management. *The British Accounting Review*, 50(3), 255–274. <https://doi.org/10.1016/j.bar.2017.09.001>
- Habbash, M. (2019). The role of corporate gov-

- ernance regulations in constraining earnings management practice in Saudi Arabia. In T. Azid, A. A. Alnodel, & M. A. Qureshi (Eds.), *Research in Corporate and Shari'ah Governance in the Muslim World: Theory and Practice* (pp. 127–140). Emerald Publishing Limited. <https://doi.org/10.1108/978-1-78973-007-420191011>
- Habbash, M., Sindezingue, C., & Salama, A. (2013). The effect of audit committee characteristics on earnings management: Evidence from the United Kingdom. *International Journal of Disclosure and Governance*, 10(1), 13–38. <https://doi.org/10.1057/jdg.2012.2>
- Haddad, A. E., AlShattarat, W. K., AbuGhazaleh, N. M., & Nobanee, H. (2015). The impact of ownership structure and family board domination on voluntary disclosure for Jordanian listed companies. *Eurasian Business Review*, 5(2), 203–234. <https://doi.org/10.1007/s40821-015-0021-5>
- Hamdan, A. M. M., Mushtaha, S. M. S., & Al-Sartawi, A. A. M. (2013). The audit committee characteristics and earnings quality: Evidence from Jordan.
- Hashed, A. A., & Almaqtari, F. A. (2021). The impact of corporate governance mechanisms and IFRS on earnings management in Saudi Arabia. *Accounting*, 207–224. <https://doi.org/10.5267/j.ac.2020.9.015>
- Hashmi, S. D., Gulzar, S., Ghafoor, Z., & Naz, I. (2020). Sensitivity of firm size measures to practices of corporate finance: Evidence from BRICS. *Future Business Journal*, 6(1), 9. <https://doi.org/10.1186/s43093-020-00015-y>
- Healy, P. M., & Wahlen, J. M. (1999). A Review of the Earnings Management Literature and Its Implications for Standard Setting. *Accounting Horizons*, 13(4), 365–383. <https://doi.org/10.2308/acch.1999.13.4.365>
- Hutchinson, M., Mack, J., & Plastow, K. (2015). Who selects the 'right' directors? An examination of the association between board selection, gender diversity and outcomes. *Accounting & Finance*, 55(4), 1071–1103. <https://doi.org/10.1111/acfi.12082>
- Iftikhar, U., Asghar, M. J. E. K. A., Khan, H., & Mirza, H. H. (2019). The corporate governance and efficiency of commercial banks in Pakistan: Application of the non-parametric approach. *Argumenta Oeconomica*, 2(43), 169–189. <https://doi.org/10.15611/aoe.2019.2.07>
- IO Eze. (2017). Corporate governance mechanisms and earnings management in Nigerian food product companies. *Journal of Administrative and Business Studies*, 3(1). <https://doi.org/10.20474/jabs-3.1.1>
- Isidro, H., & Sobral, M. (2015). The effects of women on corporate boards on firm value, financial performance, and ethical and social compliance. *Journal of Business Ethics*, 132(1), 1–19. <https://doi.org/10.1007/s10551-014-2302-9>
- Iylia Dayana Mohamed Izwan, Muhammad Ahmad Dost Muhammad, Nor Balkish Zakaria, Maslinawati Mohamad, & Maizatul Akhmam Ahmad. (2023). Board gender diversity effect to various earnings management estimation models. *Asia-Pacific Management Accounting Journal*, 18(3). <https://doi.org/10.24191/AP-MAJ.V18i3-02>
- Jameel, S. Z. M., Al-Sendy, A. M., & Hamoudi, K. M. T. (2024). The impact of audit characteristics on earnings management: Evidence from Dubai banks. *Journal of Risk and Financial Management*, 17(6), 249. <https://doi.org/10.3390/jrfm17060249>
- Jensen, M. C., & Meckling, W. H. (1979). Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure. In K. Brunner (Ed.), *Economics Social Institutions* (Vol. 1, pp. 163–231). Springer Netherlands. https://doi.org/10.1007/978-94-009-9257-3_8
- Joecks, J., Pull, K., & Vetter, K. (2013). Gender Diversity in the Boardroom and Firm Performance: What Exactly Constitutes a "Critical Mass?" *Journal of Business Ethics*, 118(1), 61–72. <https://doi.org/10.1007/s10551-012-1553-6>
- Kalbuana, N., Prasetyo, B., Asih, P., Arnas, Y., Simbolon, S. L., Abdusshomad, A., Kurnianto, B., Saputro, R., Sari, M. P., Zandra, R. A. P., Pramitasari, D. A., Gresik, U., Madura, U., Putri, I. A. J., Nazaruddin, M., Naim, M. R., & Mahdi, F. M.

- (2021). Earnings management is affected by firm size, leverage and RoA: Evidence from Indonesia. 20(2).
- Kanter, R. M. (1977). Some Effects of Proportions on Group Life: Skewed Sex Ratios and Responses to Token Women. *American Journal of Sociology*, 82(5), 965–990. <https://doi.org/10.1086/226425>
- Kapkiyai, C., Cheboi, J., & Komen, J. (2020). Audit committee effectiveness and earnings management among publicly listed firms in Kenya. *SEISENSE Journal of Management*, 3(2), 31–44. <https://doi.org/10.33215/sjom.v3i2.292>
- Keay, A. (2017). Stewardship theory: Is board accountability necessary? *International Journal of Law and Management*, 59(6), 1292–1314. <https://doi.org/10.1108/IJLMA-11-2016-0118>
- Keertiman Sharma. (2021). Impact of corporate governance on firm efficiency: A study of Thai banking companies. *International Journal of Multidisciplinary in Management and Tourism*, 5, 6686. <https://doi.org/10.14456/IJMMT.2021.8>
- Kent, P., Kercher, K., & Routledge, J. (2018). Remuneration committees, shareholder dissent on CEO pay and the CEO pay–performance link. *Accounting & Finance*, 58(2), 445–475. <https://doi.org/10.1111/acfi.12222>
- Khan, S., Kamal, Y., Abbas, M., & Hussain, S. (2022). Board of directors and earnings manipulation: Evidence from regulatory change. *Future Business Journal*, 8(1), 63. <https://doi.org/10.1186/s43093-022-00173-1>
- Khan, S., Kamal, Y., Hussain, S., & Abbas, M. (2022). Corporate governance looking back to look forward in Pakistan: A review, synthesis and future research agenda. *Future Business Journal*, 8(1), 24. <https://doi.org/10.1186/s43093-022-00137-5>
- Kirshin, I., & Volkov, G. (2018). The determinants of corporate capital structure: Evidence from Russian panel data.
- Li, Y. (2021). Board gender diversity and earnings management: Evidence from China: 2021 3rd International Conference on Economic Management and Cultural Industry (ICEMCI 2021). <https://doi.org/10.2991/as-sehr.k.211209.191>
- Manan, F., & Amin, K. (2023). The effect of corporate governance on firm financial performance with mediating role of earnings management. Evidence from Pakistan stock exchange. *Pakistan Journal of Humanities and Social Sciences*, 11(1), 532–547. <https://doi.org/10.52131/pjhss.2023.1101.0371>
- Marra, A., Mazzola, P., & Prencipe, A. (2011). Board monitoring and earnings management pre- and post-IFRS. *The International Journal of Accounting*, 46(2), 205–230. <https://doi.org/10.1016/j.intacc.2011.04.007>
- Martens, W., Yapa, P., Safari, M., & Watts, S. (2021). The influence of earnings management on bank efficiency: The case of frontier markets. *Heliyon*, 7(10), e08232. <https://doi.org/10.1016/j.heliyon.2021.e08232>
- Masmoudi Mardessi, S., & Makni Fourati, Y. (2020). The impact of audit committee on real earnings management: Evidence from Netherlands. *Corporate Governance and Sustainability Review*, 4(1), 33–46. <https://doi.org/10.22495/cgsrv4i1p3>
- Miner, J. B. (2015). *Organizational behavior 2: Essential theories of process and structure* (1 Online-Ressource (xvii, 444 Seiten)). Routledge, Taylor and Francis Group. <https://doi.org/10.4324/9781315702001>
- Ming-Feng Hsu, & Wen, S.-Y. (2015). The influence of corporate governance in chinese companies on discretionary accruals and real earnings management. *Asian Economic and Financial Review*.
- Nadeem, M., De Silva, T.-A., Gan, C., & Zaman, R. (2017). Boardroom gender diversity and intellectual capital efficiency: Evidence from China. *Pacific Accounting Review*, 29(4), 590–615. <https://doi.org/10.1108/PAR-08-2016-0080>
- Nassir Zadeh, F., Askarany, D., Shirzad, A., & Faghani, M. (2023). Audit committee features and earnings management. *Heliyon*, 9(10), e20825. <https://doi.org/10.1016/j.heliyon.2023.e20825>
- Nelwan, M. L., & Tansuria, B. I. (2019). Audit committee characteristics and earnings

- management practices. *Journal of Economics, Business, & Accountancy Ventura*, 22(1), 85–97. <https://doi.org/10.14414/jebav.v22i1.1400>
- Obigbemi, I. F., Omolehinwa, E. O., Mukoro, D. O., Ben-Caleb, E., & Olusanmi, O. A. (2016). *Earnings Management and Board Structure: Evidence From Nigeria*. Sage Open, 6(3), 2158244016667992. <https://doi.org/10.1177/2158244016667992>
- Osemene, O. F., Adinnu, P., Fagbemi, T. O., & Olowookere, J. K. (2024). Corporate Governance and Environmental Accounting Reporting in Selected Quoted African Companies. *Global Business Review*, 25(4), 1096–1119. <https://doi.org/10.1177/09721509211010989>
- Purkayastha, S., Veliyath, R., & George, R. (2022). Type I and type II agency conflicts in family firms: An empirical investigation. *Journal of Business Research*, 153, 285–299. <https://doi.org/10.1016/j.jbusres.2022.07.054>
- Rao, M., Mustafa, F., & Khursheed, Ambreen. (2020). The impact of concentrated leverage and ownership on firm performance: A case in Pakistan. *Logforum*, 16(1), 15–31. <https://doi.org/10.17270/J.LOG.2020.375>
- Reddy, K., Locke, S., & Fauzi, F. (2013). Relevance of corporate governance practices in charitable organisations: A case study of registered charities in New Zealand. *International Journal of Managerial Finance*, 9(2), 110–132. <https://doi.org/10.1108/17439131311307547>
- Ronen, J., & Yaari, V. (2008). Definition of Earnings Management. In *Earnings Management* (Vol. 3, pp. 25–38). Springer US. https://doi.org/10.1007/978-0-387-25771-6_2
- Sáenz González, J., & García-Meca, E. (2014). Does Corporate Governance Influence Earnings Management in Latin American Markets? *Journal of Business Ethics*, 121(3), 419–440. <https://doi.org/10.1007/s10551-013-1700-8>
- Securities and Exchange Commission. (2003). *Audit Committee Financial Expertise*. SEC.
- Shahwan, T. M., & Fathalla, M. M. (2020). The mediating role of intellectual capital in corporate governance and the corporate performance relationship. *International Journal of Ethics and Systems*, 36(4), 531–561. <https://doi.org/10.1108/IJOES-03-2020-0022>
- Shawtari, F. A., Saiti, B., Abdul Razak, S. H., & Ariff, M. (2015). The impact of efficiency on discretionary loans/finance loss provision: A comparative study of Islamic and conventional banks. *Borsa Istanbul Review*, 15(4), 272–282. <https://doi.org/10.1016/j.bir.2015.06.002>
- Sun, J., Liu, G., & Lan, G. (2011). Does female directorship on independent audit committees constrain earnings management? *Journal of Business Ethics*, 99(3), 369–382. <https://doi.org/10.1007/s10551-010-0657-0>
- Tricker, B. (2015). *Corporate governance: Principles, policies and practices* (Third edition). Oxford University Press.
- Uwuigbe, U., Ranti, U. O., & Bernard, O. (2015). Assessment of the Effects of Firms Characteristics on Earnings Management of Listed Firms in Nigeria. *Asian Economic and Financial Review*, 5(2), 218–228. <https://doi.org/10.18488/journal.aefr/2015.5.2/102.2.218.228>
- Valls Martínez, M. D. C., & Cruz Rambaud, S. (2019). Women on corporate boards and firm's financial performance. *Women's Studies International Forum*, 76, 102251. <https://doi.org/10.1016/j.wsif.2019.102251>
- Wahyuningsih, A., & Rasmini, N. K. (2020). CSR disclosure on earnings management with the presence of women in the GCG structure. *Jurnal Ilmiah Akuntansi Dan Bisnis*, 15(2), 293. <https://doi.org/10.24843/JIAB.2020.v15.i02.p11>
- Wondem, B. A., & Singh Batra, G. (2019). The impact of corporate governance practices on corporate financial performance in Ethiopia. *International Journal of Accounting Research*, 07(01). <https://doi.org/10.35248/2472->

- 114X.19.7.196
- World Bank, & International Monetary Fund. (2020). Ethiopia: Financial sector assessment programme—Technical note on banking sector oversight. World Bank.
- Wuryani, E. (2013). Company size in response to earnings management and company performance. *Journal of Economics, Business, and Accountancy | Ventura*, 15(3), 491.
<https://doi.org/10.14414/jebav.v15i3.117>
- Yin, F., Gao, S., Li, W., & Lv, H. (2012). Determinants of audit committee meeting frequency: Evidence from Chinese listed companies. *Managerial Auditing Journal*, 27(4), 425–444.
<https://doi.org/10.1108/02686901211218003>
- Zgarni, A., & Fedhila, H. (2019). Discretionary loan loss provisions, earnings management and capital management in banks. *Asian Social Science*, 15(7), 144.
<https://doi.org/10.5539/ass.v15n7p144>