EFFECT OF CHIEF EXECUTIVE OFFICER (CEO) CHARACTERISTICS ON EARNINGS QUALITY OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

[1]**UGBEH, Friday Onyemechi & [2]Dr. Abdul Adamu**
[1]Department of Accounting, Nasarawa State University, Keffi
[2]Department of Business Administration, Nasarawa State University, Keffi

Abstract
*This study examines the effect of CEO characteristics—tenure, age, and educational background—on the earnings quality of listed consumer goods firms in Nigeria for 2014-2023. Employing an ex-post facto research design and a census sampling method, the study utilizes secondary data extracted from annual reports of 21 consumer goods firms. Earnings quality is measured using discretionary accruals (Dechow et al., 1995 model), while CEO tenure, age, and educational background are included as independent variables. The data is analysed using descriptive statistics, correlation analysis, and panel regression models, with the Hausman test guiding the choice between fixed and random effects models. The Hausman Fixed effect model Findings reveal that CEO tenure and CEO age have a positive and significant impact on earnings quality, Similarly, CEO educational background in finance or accounting positively influences earnings quality, The study aligns with the Upper Echelons theory. This research contributes to corporate governance literature by emphasizing the importance of CEO attributes in financial reporting quality. It recommends that firms prioritize experienced CEOs with strong financial expertise, implement balanced tenure policies to prevent entrenchment***, and encourage continuous professional development.***
Keywords: *CEO Characteristics, Earnings Quality, CEO Tenure, CEO Age, CEO Educational Background, Discretionary Accruals, Corporate Governance, Panel Regression.*

INTRODUCTION

Earnings quality is a critical determinant of financial reporting reliability and corporate valuation, serving as a fundamental basis for investor confidence, regulatory oversight, and corporate governance effectiveness (Dechow, Ge, & Schrand, 2010). High-quality earnings provide a true and fair representation of a firm's financial health, ensuring that financial statements reflect the underlying economic reality rather than being manipulated for managerial opportunism (Francis, LaFond, Olsson, & Schipper, 2004). Given the increasing cases of financial misreporting globally—such as the Enron and WorldCom scandals—regulatory bodies, investors, and analysts have placed significant emphasis on understanding the factors that influence earnings quality (Jones, Krishnan, & Melendrez, 2008). Studies suggest that earnings quality influences capital market efficiency, as firms with high-quality earnings tend to experience lower costs of capital and enhanced investor trust (Ball & Shivakumar, 2006; Biddle, Hilary, & Verdi, 2009). In Nigeria, where corporate transparency remains a pressing issue, the role of earnings quality in fostering sustainable economic growth cannot be overstated (Ofoegbu, Odo, & Okafor, 2018). The role of the Chief Executive Officer (CEO) in corporate governance and strategic decision-making has been widely documented, with research suggesting that CEO characteristics significantly impact financial reporting quality, firm performance, and organizational sustainability (Hambrick & Mason, 1984; Bertrand & Schoar, 2003). CEO attributes such as tenure, age, and educational background shape leadership style, risk appetite, and ethical judgment, all of which influence financial decision-making (Miller, 1991; Custódio & Metzger, 2014). For instance, CEOs with extensive tenure tend to have in-depth firm-specific knowledge, which can enhance or hinder financial reporting quality depending on governance structures (Ali & Zhang, 2015). Similarly, CEO age has been linked to risk aversion, with older CEOs demonstrating more conservative financial reporting tendencies (Serfling, 2014). Furthermore, educational background influences financial expertise, with CEOs who have strong academic credentials in accounting, finance, or business administration being more likely to enforce sound financial reporting practices (Bhagat, Bolton, & Subramanian, 2010). In Nigeria, where corporate governance remains a challenge, understanding how CEO characteristics influence financial reporting quality is imperative for both investors and regulators (Uwuigbe, Uwuigbe, & Ajayi, 2014).

Several empirical studies have examined the relationship between CEO characteristics and earnings quality, with findings highlighting the influence of CEO tenure, age, and educational background on discretionary accruals and financial reporting quality (Dechow, Sloan, & Sweeney, 1995; Francis et al., 2004). CEO tenure, for instance, has been found to impact earnings quality either positively or negatively, depending on factors such as entrenchment and corporate governance mechanisms (Ali & Zhang, 2015; Huang, Rose-Green, & Lee, 2012). Similarly, CEO age has been linked to risk-taking behavior, with older CEOs demonstrating a tendency toward conservative financial reporting, thus reducing earnings manipulation (Serfling, 2014). Furthermore, CEO educational background has been identified as a significant determinant of earnings management practices, with CEOs who have higher financial literacy being less likely to engage in earnings manipulation (Bhagat & Bolton, 2008; Francis et al., 2008). However, empirical findings remain inconclusive, necessitating further research, particularly in emerging markets like Nigeria (Uwuigbe et al., 2014).

The relationship between CEO characteristics proxies (tenure, age, and educational background) and earnings quality proxies (discretionary accruals) has been extensively examined in the literature, with mixed results (Dechow et al., 1995; Healy & Wahlen, 1999). Studies suggest that longer CEO tenure may lead to financial expertise and better earnings quality, yet it can also contribute to managerial entrenchment and increased earnings manipulation (Huang et al., 2012). CEO age, on the other hand, has been linked to risk aversion, with older CEOs engaging in less earnings management (Serfling, 2014). Regarding educational background, CEOs with strong financial expertise (e.g., degrees in accounting or finance) have been found to uphold better earnings quality, while those without such expertise may be more prone to financial misreporting (Bhagat & Bolton, 2008). However, these findings are not entirely consistent across different regulatory environments, suggesting the need for further empirical validation, especially in the Nigerian context (Ofoegbu et al., 2018).

While existing literature has explored the impact of CEO characteristics on earnings quality, most studies have focused on developed markets, with limited research conducted in emerging economies like Nigeria (Ali & Zhang, 2015; Uwuigbe et al., 2014). Additionally, findings remain inconclusive, with some studies reporting a positive and significant relationship between CEO tenure and earnings quality (Huang et al., 2012), while others find negative or non-significant results (Ali & Zhang, 2015). Similarly, CEO age has been linked to lower earnings management in some studies (Serfling, 2014) but found to be non-significant in others (Bhagat & Bolton, 2008). The theoretical frameworks applied in past studies, such as agency theory and upper echelons theory, do not fully capture the complexities of CEO characteristics and financial reporting behavior (Hambrick & Mason, 1984; Jensen & Meckling, 1976). Emerging perspectives, such as behavioral finance theory, may offer deeper insights into how psychological and cognitive biases influence CEO decision-making and earnings management.

Methodological inconsistencies in prior studies also present significant research gaps. Some studies rely on cross-sectional data, which may not fully capture the dynamic effects of CEO characteristics on earnings quality over time (Francis et al., 2004). Additionally, variations in earnings quality measurement—such as the use of different discretionary accrual models—have led to conflicting results (Dechow et al., 1995; Jones et al., 2008).

Given the inconsistencies in empirical findings, theoretical limitations, and methodological concerns, there is a clear need for more robust empirical studies examining the relationship between CEO characteristics and earnings quality, particularly in the Nigerian corporate landscape. Future research should adopt longitudinal data to better assess the long-term impact of CEO attributes on earnings quality and explore alternative theoretical frameworks that consider behavioral and psychological dimensions of CEO decision-making. Furthermore, methodological rigor should be enhanced by employing more refined earnings quality models to mitigate measurement errors and improve the reliability of findings (Dechow et al., 2010).

The main objective of this study is to examine the effect of CEO characteristics—measured by tenure, age, and educational background—on earnings quality, proxied by discretionary accruals, in listed consumer goods firms in Nigeria. This research is justified by the need to bridge the existing empirical, theoretical, and methodological gaps in literature, particularly in the Nigerian context, where corporate governance remains a pressing concern. By providing empirical insights into how CEO attributes shape financial reporting quality, this study will contribute to corporate governance policies, regulatory frameworks, and investor decision-making processes in Nigeria.

LITERATURE REVIEW

Concept of Earnings Quality

Earnings quality refers to the extent to which reported earnings accurately reflect a firm's true financial performance and economic reality. High-quality earnings are characterized by their persistence, predictability, and low levels of manipulation, providing investors and stakeholders with reliable information for decision-making (Dechow, Ge, & Schrand, 2010). Earnings quality is crucial in financial reporting, as it influences market efficiency, firm valuation, and investor confidence (Francis, LaFond, Olsson, & Schipper, 2004). Poor earnings quality, on the other hand, results in earnings management, financial misrepresentation, and potential fraud, undermining corporate transparency and governance (Healy & Wahlen, 1999). In response to financial misreporting scandals, regulators and researchers have intensified efforts to assess and improve earnings quality, especially in emerging economies like Nigeria, where corporate governance structures are still evolving (Ofoegbu, Odo, & Okafor, 2018).

Earnings quality is measured using several proxies, with **discretionary accruals** being one of the most widely used indicators (Dechow, Sloan, & Sweeney, 1995). The **Dechow et al. (1995) model** assesses earnings management by separating total accruals into discretionary (managed) and non-discretionary (normal) components. High discretionary accruals indicate earnings manipulation, implying lower earnings quality (Jones, Krishnan, & Melendrez, 2008). Other proxies include earnings persistence, earnings predictability, accruals quality, and the earnings response coefficient (Ball & Shivakumar, 2006; Biddle, Hilary, & Verdi, 2009). However, in this study, discretionary accruals based on the Dechow et al. model serve as the primary measure of earnings quality, providing an empirical basis for evaluating the impact of CEO characteristics on financial reporting integrity.

Concept of CEO Characteristics

CEO characteristics refer to the personal and professional attributes of Chief Executive Officers that influence their strategic decision-making, corporate governance, and financial reporting behavior (Hambrick & Mason, 1984). These characteristics encompass a range of demographic, cognitive, and experiential factors that shape a CEO's leadership style, risk appetite, and ethical orientation (Bertrand & Schoar, 2003). Research has shown that CEO attributes significantly impact corporate financial decisions, affecting outcomes such as earnings quality, firm performance, and financial risk management (Miller, 1991; Custódio & Metzger, 2014). Understanding CEO characteristics is critical in corporate governance research, as different leadership traits can either enhance transparency or contribute to financial misreporting and opportunistic behavior (Ali & Zhang, 2015).

This study considers **three key proxies** for CEO characteristics: **CEO Tenure (CEOT)** – The length of time a CEO has held office, which influences firm-specific knowledge, managerial entrenchment, and financial reporting behavior (Huang, Rose-Green, & Lee, 2012)., **CEO Age (CEOA)** – A proxy for risk tolerance, with older CEOs generally being more conservative in financial reporting and less prone to earnings manipulation (Serfling, 2014). And **CEO Educational Background (CEOEB)** – The CEO's level of education and field of study, particularly in accounting, finance, or business administration, which affects financial literacy and reporting integrity (Bhagat & Bolton, 2008). By examining these proxies, this study aims to determine how CEO characteristics influence earnings quality in Nigeria's consumer goods sector, addressing gaps in corporate governance research in emerging markets.

CEO Tenure (CEOT)

CEO tenure refers to the duration an individual serves as the Chief Executive Officer of a company. This period is pivotal in shaping the CEO's influence over corporate strategies, organizational culture, and financial reporting practices. During their tenure, CEOs accumulate firm-specific knowledge and experience, which can enhance decision-making and potentially improve earnings quality. However, extended tenure may also lead to entrenchment, where CEOs gain excessive control, potentially resulting in complacency or opportunistic behaviors that could adversely affect financial reporting quality. Thus, the length of a CEO's tenure can have both positive and negative implications for a firm's earnings quality.

CEO Age (CEOA)

CEO age refers to the chronological age of a Chief Executive Officer, representing the number of years since their birth. This demographic attribute is significant as it can influence a CEO's leadership style, risk tolerance, strategic decision-making, and ethical perspectives. Older CEOs may bring extensive experience and a conservative approach to corporate governance, potentially enhancing financial reporting quality. Conversely, younger CEOs might exhibit greater adaptability and a propensity for innovation but could also engage in aggressive financial practices to demonstrate performance. Therefore, understanding the impact of CEO age on earnings quality is crucial for stakeholders assessing a firm's financial integrity.

CEO Educational Background

CEO Educational Background (CEOEB) refers to the formal academic training and qualifications that a Chief Executive Officer has acquired prior to or during their tenure. This encompasses degrees obtained, fields of study, and the level of education achieved, such as bachelor's, master's, or doctoral degrees. The educational background of a CEO is pivotal as it shapes their cognitive frameworks, strategic decision-making processes, and leadership styles. For instance, a CEO with a background in finance or accounting may possess a deeper understanding of financial reporting and control mechanisms, potentially influencing the firm's earnings quality.

The diversity in educational backgrounds among CEOs is notable. A significant proportion of CEOs hold degrees in business-related fields, with economics, business administration, and engineering being among the most prevalent disciplines cite turn0search2 . Advanced degrees are also common; globally, approximately 64% of CEOs possess at least a master's degree or equivalent, including MBAs cite turn0search13 . This advanced education may equip CEOs with enhanced analytical skills and a comprehensive understanding of complex business environments, which can be instrumental in effective corporate governance and financial oversight.

The influence of a CEO's educational background extends beyond personal competencies to affect organizational outcomes, including earnings quality. Educational attainment can impact a CEO's approach to financial management, risk assessment, and ethical considerations in financial reporting. For example, CEOs with specialized education in accounting or finance may be more adept at implementing robust financial controls and ensuring the accuracy of financial statements. Conversely, a lack of relevant educational background might lead to challenges in overseeing financial reporting processes, potentially affecting the quality of reported earnings.

Empirical Review

CEO Tenure and Earnings Quality

Several recent studies have identified a positive and significant relationship between CEO tenure and earnings quality. For instance, Zhang (2010) found that longer-tenured CEOs report earnings less aggressively, recognizing economic losses more promptly and exhibiting lower discretionary accruals. This suggests that experienced CEOs prioritize long-term financial health over short-term earnings manipulation. Similarly, Hemdan et al. (2021) observed that in Egyptian firms, extended CEO tenure is associated with higher earnings quality, as these CEOs are less inclined toward earnings management practices. Brochet et al. (2021) also reported that firm value tends to increase with CEO tenure, implying that seasoned CEOs' strategic decisions positively impact financial reporting quality. Furthermore, a study by Kale and Kale (2020) indicated that CEOs with longer tenures are more likely to engage in conservative financial reporting, enhancing earnings reliability. These findings collectively suggest that extended CEO tenure can lead to improved earnings quality through accumulated experience and a focus on sustainable financial practices.

Conversely, some recent research indicates a negative and significant relationship between CEO tenure and earnings quality. Hemdan et al. (2021) found that prolonged CEO tenure could lead to entrenchment, where CEOs gain excessive control over the board, facilitating earnings manipulation. This entrenchment allows CEOs to override governance mechanisms, leading to lower earnings quality. Similarly, Zhang (2010) observed that in the final years of their tenure, long-serving CEOs might report earnings more aggressively, possibly to enhance their legacy or meet personal financial goals. This behavior can result in inflated earnings reports that do not accurately reflect the company's financial health. Additionally, Brochet et al. (2021) noted that firm value could decline after a certain point in a CEO's tenure, especially in dynamic industries where adaptability is crucial. This decline may be due to CEOs becoming less responsive to market changes, leading to decisions that negatively impact earnings quality. These studies highlight the potential risks associated with extended CEO tenure, including entrenchment and decreased adaptability, which can adversely affect earnings quality.

Some studies have found no significant relationship between CEO tenure and earnings quality, suggesting that other factors may mediate this relationship. For example, research by Brochet et al. (2021) indicates that the impact of CEO tenure on firm value—and by extension, earnings quality—may follow a non-linear pattern, with firm value increasing up to a point before declining. This finding suggests that the benefits of CEO tenure may diminish over time, and prolonged tenure does not necessarily equate to continuous improvements in earnings quality. Similarly, Hemdan et al. (2021) reported that while CEO tenure influences earnings quality, its effect is moderated by corporate governance structures, such as board independence and gender diversity. These moderating factors can either enhance or mitigate the impact of CEO tenure on earnings quality. Furthermore, Zhang (2010) found that the relationship between CEO tenure and earnings quality varies depending on the CEO's career stage and external market conditions, indicating that tenure alone is not a definitive predictor of earnings quality. These studies suggest that the relationship between CEO tenure and earnings quality is complex and influenced by various internal and external factors.

Hypothesis Statement and Justification

Null Hypothesis (H_01):

CEO tenure (CEOT) has no significant effect on earnings quality in listed consumer goods firms in Nigeria.

The formulation of this null hypothesis is grounded in the mixed empirical evidence regarding the relationship between CEO tenure and earnings quality. While some studies suggest that longer CEO tenure enhances earnings quality through accumulated experience and firm-specific knowledge (Zhang, 2010; Hemdan et al., 2021), others indicate that extended tenure may lead to entrenchment and opportunistic financial reporting (Brochet et al., 2021). Additionally, certain research finds no significant relationship, implying that other factors, such as corporate governance mechanisms, may play a more pivotal role (Hemdan et al., 2021). Given these inconclusive findings, it is essential to empirically test the effect of CEO tenure on earnings quality within the specific context of Nigerian consumer goods firms. This approach will provide context-specific insights that can inform corporate governance policies and practices in Nigeria.

CEO Age and Earnings Quality

Several empirical studies have identified a positive and significant relationship between CEO age and earnings quality, suggesting that older CEOs are associated with higher-quality financial reporting. For instance, a study by Serfling (2014) found that older CEOs tend to adopt more conservative financial policies, leading to reduced variability in earnings and improved reporting quality. Similarly, research by Yim (2013) indicates that firms led by older CEOs are less likely to engage in earnings management, as these executives prioritize long-term stability over short-term gains. Another study by Wang, Xie, and Zhu (2015) supports this view, showing that CEO age is positively correlated with the timeliness and accuracy of financial disclosures. These findings suggest that the experience and risk aversion associated with older age contribute to more reliable and transparent financial reporting.

Conversely, some studies have reported a negative and significant relationship between CEO age and earnings quality. For example, research by Desir and Seavey (2023) indicates that as CEOs age, there may be a decline in managerial ability, potentially leading to less effective oversight of financial reporting and a decrease in earnings quality. This decline is particularly pronounced in fast-paced industries where adaptability and continuous learning are essential. Additionally, a study by Serfling (2014) suggests that older CEOs might become overly conservative, potentially avoiding beneficial investments or innovations, which could indirectly affect the quality of earnings by limiting growth opportunities. These findings imply that while experience is valuable, excessive age may introduce challenges that negatively impact financial reporting quality.

Some empirical investigations have found no significant relationship between CEO age and earnings quality, indicating that age alone may not be a decisive factor. For instance, research by Chen et al. (2024) examined various CEO characteristics, including age, and found no significant impact of CEO age on earnings management practices. Similarly, a study by Francis et al. (2016) suggests that factors such as CEO reputation and tenure may play more substantial roles in influencing earnings quality than age alone. These studies highlight that while CEO age can influence leadership style and decision-making, its direct effect on earnings quality is inconclusive and may be overshadowed by other attributes and contextual factors.

l. Hypothesis Statement and Justification

Null Hypothesis (H_02):

CEO age (CEOA) has no significant effect on earnings quality in listed consumer goods firms in Nigeria.

The formulation of this null hypothesis is grounded in the mixed empirical evidence regarding the relationship between CEO age and earnings quality. While some studies suggest that older CEOs enhance financial reporting quality through experience and conservative practices (Serfling, 2014; Yim, 2013), others indicate potential drawbacks such as decreased adaptability and managerial effectiveness with advancing age (Desir & Seavey, 2023). Additionally, certain research finds no significant relationship, implying that other factors, such as CEO tenure, educational background, or firm-specific characteristics, may play more pivotal roles (Chen et al., 2024; Francis et al., 2016). Given these inconclusive findings, it is essential to empirically test the effect of CEO age on earnings quality within the specific context of Nigerian consumer goods firms. This approach will provide context-specific insights that can inform corporate governance policies and practices in Nigeria.

CEO Educational Background and Earnings Quality

Empirical studies have demonstrated a positive and significant relationship between a CEO's educational background and the quality of a firm's earnings. For instance, research indicates that CEOs with advanced degrees, particularly in finance or accounting, are less likely to engage in earnings management practices, leading to higher earnings quality. This suggests that specialized education equips CEOs with the necessary skills to maintain transparent and accurate financial reporting.

Further, a study examining the educational backgrounds of CEOs found that those with higher educational attainment tend to lead firms with better financial performance and reporting quality. The advanced knowledge and analytical skills acquired through higher education enable CEOs to implement effective financial controls and ethical standards, thereby enhancing earnings quality.

Additionally, research focusing on the impact of CEOs' accounting backgrounds revealed that such educational experience is associated with reduced earnings management and increased conservatism in financial reporting. This underscores the importance of relevant educational qualifications in fostering high-quality earnings reports.

While less prevalent, some studies have identified a negative and significant relationship between certain aspects of a CEO's educational background and earnings quality. For example, research has shown that CEOs with political ties, often facilitated through specific educational networks, may engage in earnings management to exploit their connections, adversely affecting the quality of financial reporting. This indicates that the nature and context of a CEO's education can influence their financial reporting behavior.

Moreover, a study investigating the effects of powerful CEOs on earnings quality found that those with significant structural and expert power, potentially derived from their educational achievements, may have a detrimental effect on earnings qualit. This suggests that while education can confer expertise, it may also lead to overconfidence or dominance, resulting in aggressive financial reporting practices.

Additionally, research examining the association between CEO reputation, often bolstered by educational credentials, and earnings quality found that highly reputed CEOs might engage in earnings management to meet market expectations, thereby compromising earnings quality. This highlights the complex interplay between educational background, reputation, and financial reporting behavior.

Some empirical studies have found no significant relationship between a CEO's educational background and earnings quality. For instance, research analyzing the educational qualifications of CEOs reported that while advanced degrees are common among top executives, there is no direct correlation between the level of education and the quality of financial reporting. This suggests that factors other than formal education, such as practical experience and personal attributes, may play more critical roles in determining earnings quality.

Furthermore, a study exploring the impact of CEO education on firm performance and compensation found that while educational background influences hiring and salary decisions, it does not have a significant effect on earnings quality. This indicates that while education is a valued attribute in CEOs, it may not directly translate to improved financial reporting practices.

Additionally, research focusing on the educational backgrounds of CEOs across various industries concluded that there is no consistent relationship between the field of study or level of education and earnings quality. This highlights the possibility that industry-specific factors and the broader corporate governance environment may moderate the influence of a CEO's educational background on financial reporting outcomes.

Hypothesis Statement and Justification

Null Hypothesis (H_03):
CEO educational background (CEOEB) has no significant effect on earnings quality in listed consumer goods firms in Nigeria.

Justification
The formulation of this null hypothesis is grounded in the mixed empirical evidence regarding the relationship between CEO educational background and earnings quality. While some studies suggest that CEOs with advanced or specialized education in finance or accounting contribute to higher earnings quality, others indicate potential negative effects, such as overconfidence or exploitation of political ties. Additionally, certain research finds no significant relationship, implying that other factors,

Theoretical Frameworks

Understanding the relationship between CEO characteristics and earnings quality can be analyzed through several theoretical lenses. Three pertinent frameworks include:

Upper Echelons Theory: Proposed by Hambrick and Mason (1984), this theory posits that organizational outcomes are partially predicted by the background characteristics of top executives. It suggests that CEOs' personal attributes, such as age, tenure, and educational background, influence their cognitive bases and values, thereby affecting strategic choices and, consequently, organizational performance, including earnings quality.

Agency Theory: Jensen and Meckling (1976) introduced this framework, which examines conflicts of interest between principals (shareholders) and agents (CEOs). It suggests that CEOs may not always act in the best interests of shareholders, potentially engaging in earnings management to enhance personal gains. CEO characteristics, such as tenure and educational background, can influence the extent of these agency costs and impact earnings quality.

Signaling Theory: This theory suggests that managers convey information to the market through observable characteristics and actions. A CEO's educational background can serve as a signal of competence and credibility, potentially influencing stakeholders' perceptions and the firm's financial reporting practices. For instance, a CEO with a prestigious educational background may be perceived as more capable, which could impact the firm's earnings quality.

Among the discussed frameworks, **Upper Echelons Theory** is particularly relevant for examining the impact of CEO characteristics on earnings quality. This theory emphasizes that executives' personal attributes shape their interpretations and choices, directly influencing organizational outcomes. Empirical studies support this perspective; for instance, research indicates that CEOs' demographic characteristics significantly affect financial reporting quality. Additionally, Hambrick and Mason (1984) argue that understanding top managers' backgrounds provides insights into organizational strategies and performance.

The justification for selecting Upper Echelons Theory lies in its comprehensive approach to linking individual executive attributes with organizational outcomes. By focusing on specific CEO characteristics—such as age, tenure, and educational background—this framework facilitates a nuanced analysis of how these factors influence earnings quality. Moreover, it aligns with empirical evidence suggesting that managerial attributes are significant determinants of financial reporting practices. Therefore, applying Upper Echelons Theory offers a robust foundation for exploring the intricate relationship between CEO characteristics and earnings quality.

METHODOLOGY

This study adopts an **ex-post facto research design**, which is appropriate given its reliance on historical data to analyze the effect of CEO characteristics on earnings quality without manipulating any variables. The **research philosophy** aligns with **positivism**, as it seeks to establish objective relationships between CEO attributes (tenure, age, and educational background) and earnings quality using empirical data. The **population** consists of 15 listed consumer goods firms in Nigeria, and due to the relatively small population size, a **census sampling method** is employed. Census sampling ensures that all firms within the population are analyzed, thereby increasing the robustness and generalizability of the findings. The **data collection method** is **secondary data**, extracted from the annual reports and accounts of these firms, spanning a defined period. This method enhances the reliability of the study by using publicly available, audited financial statements.

The **dependent variable (Earnings Quality - EQ)** is measured using **Discretionary Accruals**, following the **Dechow et al. (1995) model**. The **independent variables** include **CEO Tenure (CTE)**, measured as the number of years in office (Li, Li, & Xiang, 2022), **CEO Age (CA)**, measured in years (Iqbal et al., 2021), and **CEO Educational Background (CEB)**, which is a dummy variable coded **1 for CEOs with a finance/accounting degree and 0 otherwise** (Nguyen & Wang, 2020). **Descriptive statistical analyses**, such as **mean, median, standard deviation, frequency analysis, and normality tests (Jacques-Bera Skewness/Kurtosis tests),** are conducted to understand data distribution. The study employs **Pearson Correlation Matrix tests** to assess relationships between variables, while **heteroskedasticity tests** are used to check for variance issues. **Multicollinearity tests (Variance Inflation Factor - VIF)** ensure that independent variables are not highly correlated. The **panel regression model (Ordinary Least Squares - OLS and Robust Linear Regression)** is utilized due to its efficiency in handling cross-sectional and time-series data, with **the Hausman test** guiding the choice between **fixed effects and random effects models**. This approach is justified as it accounts for firm-specific heterogeneity, ensuring robust and reliable results.

Model Specification

The empirical model for this study is specified as follows:

EQ_it = β0 + β1 CTE_it + β2 CAG_it + β3 CEB_it + ε_it

Where:

EQ_it: Earnings Quality for firm i in year t (dependent variable).

CTE_it: CEO Tenure for firm i in year t.

CAG_it: CEO Age for firm i in year t.

CEB_it: CEO Educational Background for firm i in year t.

β0: Intercept.

β1, β2, …, β7: Coefficients for each independent variable.

ε_it: Error term.

The use of **panel data regression** is justified as it enhances the study's ability to **control for individual firm effects, improve efficiency in estimation, and reduce multicollinearity issues**. The Hausman test determines whether **fixed or random effects** is the most suitable model, ensuring accurate inference. By integrating robust econometric techniques, this methodology provides a reliable framework for analyzing the relationship between CEO characteristics and earnings quality in the Nigerian consumer goods sector.

RESULT AND DISCUSSION

Table 1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EQ	210	.001	.058	-.096	.1
CTE	210	10.01	5.744	1	19
CAG	210	53.076	10.569	35	69
CEB	210	.471	.5	0	1

Source: Stata Output, 2025

The **descriptive statistics** in Table 1 provide an overview of the dataset used in the study. Earnings quality (EQ) has a mean value of **0.001** with a **standard deviation of 0.058**, indicating relatively low earnings management among the sampled firms. The minimum and maximum values of EQ range from **-0.096 to 0.1**, suggesting some degree of earnings manipulation in certain firms, either negatively or positively. CEO tenure (CTE) has an average of **10.01 years**, with a standard deviation of **5.744 years**, indicating significant variation in the tenure length of CEOs among the sample firms. CEO age (CAG) has an average of **53.076 years**, with a minimum of **35 years** and a maximum of **69 years**, showing that most CEOs are middle-aged or older. CEO educational background (CEB) is a **dummy variable**, with an average of **0.471**, meaning that approximately **47.1%** of the CEOs in the sample have an academic background in finance or accounting.

Table 2 Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) EQ	1.000							
(2) CTE	0.018	1.000						
(3) CAG	0.100	0.011	1.000					
(4) CEB	-0.079	0.067	-0.030	1.000				

Source: Stata Output, 2025

The **correlation matrix** in Table 2 provides insights into the relationships between the variables. CEO tenure (CTE) has a weak positive correlation (**0.018**) with earnings quality (EQ), suggesting a slight tendency for longer-serving CEOs to improve earnings quality. CEO age (CAG) has a more noticeable positive correlation (**0.100**) with earnings quality, implying that older CEOs might be associated with better financial reporting practices. However, CEO educational background (CEB) has a negative correlation (**-0.079**) with earnings quality, indicating that CEOs with finance or accounting degrees may not necessarily enhance earnings quality. The relatively low correlation values suggest that while these CEO characteristics might influence earnings quality, their effects are likely to be subtle and potentially influenced by other firm-specific factors.

Table 3 Breuschâ€“Pagan/Cookâ€“Weisberg test for heteroskedasticity

Breuschâ€“Pagan/Cookâ€“Weisberg test for heteroskedasticity
Assumption: Normal error terms
Variable: Fitted values of eq
H0: Constant variance
chi2(1) = 1.06
Prob > chi2 = 0.3037

Source: Stata Output, 2025

The **Breusch-Pagan/Cook-Weisberg test for heteroskedasticity** in Table 3 evaluates whether the variance of the error terms is constant across observations. The chi-square test statistic is **1.06**, with a **p-value of 0.3037**, which is greater than the conventional significance levels (0.05 or 0.1). This result suggests that there is no evidence of heteroskedasticity in the model, implying that the assumption of constant variance holds. As a result, the regression estimates are expected to be reliable and efficient.

Table 4 Variance Inflation factor

VIF	1/VIF
1.070	0.931
1.050	0.951
1.050	0.951
1.050	0.957

Source: Stata Output, 2025

The variance inflation factor (VIF) results in Table 4 assess the presence of multicollinearity among the independent variables. The VIF values range from 1.050 to 1.070, which are well below the threshold of 10, indicating that there are no serious multicollinearity issues among the predictors. This means that the independent variables (CTE, CAG, and CEB) are not excessively correlated with one another, ensuring that the regression results are not biased due to redundancy in the explanatory variables.

Table 5 Hausman specification test

	Coef.
Chi-square test value	28.145
P-value	0

Source: Stata Output, 2025

The Hausman specification test in Table 5 helps determine whether a fixed effects or random effects model is more appropriate for the panel regression analysis. The chi-square test value is 28.145, with a p-value of 0.000, which is highly significant. This result suggests that the fixed effects model is the appropriate specification for the study. A fixed effects model accounts for firm-specific heterogeneity, making it more suitable for analyzing how CEO characteristics influence earnings quality over time within firms.

Table 6 Regression results

EQ	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
CTE	.001	.001	2.18	.03	0	.003	**
CAG	.001	0	3.33	.001	0	.001	***
CEB	.022	.011	2.03	.044	.001	.044	**
Constant	-.004	.002	-1.85	.066	-.008	0	*

Mean dependent var	0.001	SD dependent var	0.058
R-squared	0.429	Number of obs	210
F-test	259.315	Prob > F	0.000
Akaike crit. (AIC)	-1106.380	Bayesian crit. (BIC)	-1079.603

**** p<.01, ** p<.05, * p<.1*

Source: Stata Output, 2025

The regression results in Table 6 provide insights into the effect of CEO characteristics on earnings quality. CEO tenure (CTE) has a positive and statistically significant coefficient of 0.001 (p-value = 0.03), indicating that longer CEO tenure is associated with improved earnings quality. This suggests that as CEOs gain experience in their firms, they may adopt better financial reporting practices. CEO age (CAG) also has a positive and highly significant coefficient of 0.001 (p-value = 0.001), implying that older CEOs are associated with higher earnings quality. This finding aligns with the notion that older executives tend to be more conservative and risk-averse, reducing the likelihood of earnings manipulation. CEO educational background (CEB) has a coefficient of 0.022, which is statistically significant at the 5% level (p-value = 0.044), indicating that CEOs with finance or accounting degrees positively influence earnings quality. This suggests that specialized financial expertise can enhance the accuracy and transparency of financial reporting.

The overall model fit is indicated by an R-squared value of 0.429, meaning that approximately 42.9% of the variation in earnings quality is explained by the independent variables. The F-test value of 259.315 and p-value of 0.000 suggest that the overall regression model is statistically significant, meaning that at least one of the independent variables significantly influences earnings quality. The Akaike Information Criterion (AIC = -1106.380) and Bayesian Information Criterion (BIC = -1079.603) suggest that the model is relatively efficient in explaining the variation in earnings quality.

Overall, the results indicate that CEO tenure, CEO age, and CEO educational background all have significant effects on earnings quality, with CEO age having the strongest positive impact. The findings suggest that firms may benefit from considering these CEO attributes when making executive appointments, as they influence financial reporting quality. These results provide empirical support for theories such as the Upper Echelons Theory, which argues that CEOs' personal characteristics shape organizational outcomes. The study also underscores the importance of strong corporate governance in ensuring high-quality earnings reports.

Discussion

The study's findings indicate that CEO characteristics—specifically tenure, age, and educational background—significantly influence earnings quality in Nigerian consumer goods firms. These results align with the **Upper Echelons Theory**, which posits that organizational outcomes are shaped by the experiences and values of top executives.

The positive association between CEO tenure and earnings quality suggests that longer-serving CEOs contribute to more reliable financial reporting. This finding is consistent with recent research by Chen et al. (2024), who observed that CEOs with extended tenures are more likely to engage in earnings management, potentially to present a favorable financial position. Similarly, Bouaziz et al. (2020) found that in French firms, CEO tenure positively correlates with earnings management practices.

Conversely, some studies suggest that prolonged tenure may lead to entrenchment, where CEOs prioritize personal interests over shareholders', potentially diminishing earnings quality. For instance, research indicates that CEOs with longer tenures might become overconfident, increasing the likelihood of earnings manipulation.

The study reveals a significant positive relationship between CEO age and earnings quality, implying that older CEOs are associated with higher-quality financial reporting. This aligns with findings by Taleatu (2020), who reported that older financial officers in Nigerian firms tend to engage less in earnings management, leading to improved earnings quality.

However, contrasting evidence exists. Chen et al. (2024) found that older CEOs might be more prone to earnings management, potentially due to overconfidence developed over their careers. These discrepancies may arise from cultural or contextual differences across studies.

The finding that CEOs with a finance or accounting background positively influence earnings quality is supported by recent literature. For example, Wijayanto et al. (2025) demonstrated that managerial ability, often enhanced by relevant educational backgrounds, positively affects earnings quality in Indonesian manufacturing firms.

Conversely, some studies argue that educational background alone may not suffice. Bouaziz et al. (2020) suggest that while educational qualifications are important, practical experience and continuous professional development play crucial roles in ensuring high-quality financial reporting.

The Upper Echelons Theory provides a robust framework for interpreting these findings. It asserts that executives' demographic characteristics, such as age, tenure, and educational background, influence their cognitive bases and values, thereby affecting organizational outcomes like earnings quality. This theory underscores the importance of considering top managers' personal attributes when evaluating their impact on financial reporting and corporate governance.

CONCLUSIONS AND RECOMMENDATIONS

In conclusion, the study highlights the significant impact of CEO characteristics on the earnings quality of Nigerian consumer goods firms. Longer tenure and advanced age are associated with improved financial reporting, likely due to accumulated experience and a propensity for conservative decision-making. Additionally, a strong educational background in finance or accounting equips CEOs with the necessary skills to enhance earnings quality.

Based on these insights, the following recommendations are proposed:

1. Executive Selection: Boards should prioritize candidates with substantial industry experience and relevant educational qualifications during CEO recruitment to foster high-quality financial reporting.
2. Continuous Professional Development: Firms should invest in ongoing education and training for CEOs to keep them abreast of the latest financial regulations and reporting standards, thereby enhancing their ability to maintain accurate and transparent financial statements.
3. Balanced Tenure Policies: While experience is valuable, boards should implement policies that prevent excessive tenure to mitigate potential complacency or entrenchment, ensuring that CEOs remain dynamic and responsive to evolving market conditions.

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