Title: The Effects of Audit Committee and Ownership Structure on Income Smoothening In Nigeria: A Study of Listed Banks
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Date of Publication: 2012
Abstract: In recent times, financial statements which are known to show the economic state of an enterprise has lost its credibility and this has affected major companies especially banks in our economy today. In Nigeria, the economy faltered and the banking system experienced a crisis in 2009. The stock market collapsed by 70% in 2008-2009 and many Nigerian banks had to be rescued. This therefore brings about the question why income smoothening if there exists good corporate governance in the sector. This study examined if corporate governance proxies (Audit committee and ownership structure) influences the level of income smoothening among Nigerian Banks. To show this, the study employed the use of financial statements to gather relevant information needed for the analysis and was analyzed with the use of a regression analysis to test the hypotheses. The study therefore revealed that both independent variables influence the level of income smoothening, although not significant with audit committee. The study therefore recommends that there should be a fixed percentage of ownership for the directors. Also the Central Bank of Nigeria should de-emphasize the arbitrary application of codes and standards by banks and focus on introducing the use of penalties and/or enforcing existing ones more strictly. It is only when codes and standards have the capacity to serve as deterrents that they would become effective or increases their effectiveness.