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Creative Accounting Dimensions and Corporate Business Failure: The Nigeria Aviation Equation

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ABSTRACT

This study examined the effects of creative accounting dimensions and corporate failure on domestic airlines in the Nigerian Aviation Industry. More specifically, the study examined the effects of income smoothing, accounting policy choice, artificial transactions, discretionary accruals, and big bath accounting practices taken as proxies of creative accounting on the probability of bankruptcy, taken as a proxy of corporate failure, with bad management taken as a control vector. The study adopted a descriptive research survey design, with a sample size of one hundred and thirty-two (132) staff selected from the eleven (11) domestic airlines studied in the Nigerian aviation industry. The study sourced its data from primary sources using a structured questionnaire, and the collected data was analyzed using SPSS 25 and Amos 24. Descriptive statistics were performed on the collected data to reveal the attributes of the data, with correlation analysis performed to show the relationship and association of the data collected. This research made use of step-wise ordinary least square regression analysis to test the hypotheses formulated in this study. The results showed that creative accounting has a positive and significant effect on corporate failure. More specifically, income smoothing, accounting policy choice, artificial transactions, discretionary accruals, and big bath practices contribute significantly to the possibility of bankruptcy and liquidation of domestic airlines in Nigeria. Bad management was also found to contribute significantly to the failures experienced by domestic airlines in Nigeria. Based on the research findings, it was recommended, amongst others, that the aviation industry should use less creative accounting dimensions in order to ensure its survival and continuity.

Introduction

The International Accounting Standard specifically (ISA1) specified the overall purpose for financial reporting and the reasons for financial reporting, which includes provision of financial information of companies, performance and cash flows that are useful to extensive variety of users in making financial conclusions. Reality has proven otherwise as most preparers of financial statements presents self-serving statements to the detriment of the wider users. Therefore, the awareness of creative accounting dimensions recently may have broadened the consciousness of financial statement users, thereby attempting to bridge the information gap referred to as ‘’information asymmetry" in business globally. Though the concept is not new in accounting parlance, it is not an illegal practice when performed within the bounds of acceptable accounting provisions.

Syed and Safdar (2011) opined that the mere mention of creative accounting signals negativity in the understanding of many, especially novies in accounting. The authors liken creative accounting to a weapon, which depends on whose hands it is; it could be beneficial or harmful, as a weapon itself is almost always innocent. AgainNaser (in Ibanichuka&Ihendinihu, 2012), argued assertively that creative accounting may mean alteration of financial report figures, as opposed to what they really are and how the preparers envisaged them, by exploring loopholes in the current guidelines and/or disregarding some or all of them.

Creativity is simply exploring the flexibility in accounting standards to achieve a desired outcome, though this is not to say that human imperfections do not have a part to play, as many practitioners, in enjoying the inherent freedom in the accounting standards and the generally accepted accounting principles (GAAPs), have overstepped their bounds, hence the negative outcomes like in the cases of Enron and WorldCom. However, as a result of the over-bearing attitude of some accounting practitioners towards creative accounting dimensions, it has become glaring that their actions and inactions may have led to some corporate failures globally, and indeed in the Nigerian aviation industry. More so, the term "failure" may be difficult to attain a universally acceptable meaning. Hence, it means different things to different people and different organizations, depending on their area of weakness and inability to achieve set goals or inability to meet societal, industrial, or even government expectations of organizations. Its impact cuts across all human endeavours and professions, hence the need to place this important construct on the front burner for discussion.

Akpotu and Israel (2013) argued that corporate business failure still remains one of the greatest menaces to feasible economic growth all over the world and that the situation has become unpleasant as a result of the contemporary global business networks. They explained further that, despite the advent of corporate governance requirements and other managerial and stakeholders’ demands, corporate failure seems to be increasing. While Shepherd, 2003 (in Marius, 2009), drew attention to various research works trying to interpret failure using various models to give it a clearer definition all to no avail.

In the Nigerian experience, creative accounting causes bankruptcy or otherwise failure in diverse ways, like continuity problems of firms (going concern). The continuity postulation remains a central accounting guide for the framing of annual reports and is even more essential at points where the universal market is confronted with a financial crunch. (Gkouma, Filos&Chytis, 2018). A number of researchers have considered creative accounting in relation to different research areas of interest to them, like Ibanichuka and Ihendinihu (2012) focused on banks and insurance companies, Efiok and Eton (2012) were interested in companies listed on the Nigerian stock exchange, Nangih (2017) chose oil-servicing companies in Nigeria, Atu et al. (2016) considered quoted companies in Nigeria, Maria and Hina showed interest in the manufacturing industry, Sanusi and Izedomi (2013) considered Nigerian commercial banks, etc. Empirical studies on the effect of creative accounting dimensions on corporate failure in the Nigerian aviation industry remain very scanty or nonexistent. Therefore, we chose this research area to contribute to knowledge.

2. Literature Reviews

2.1 Conceptual Review

The essence of this scholarly study is the impact of creative accounting dimensions on corporate business failure. We used this logical tool with numerous disparities and backgrounds to make abstract divisions and shape concepts. For ease of understanding, the concepts used in this study are: income smoothing, accounting policy choice, artificial transactions, discretionary accruals, big bath Write-offs as dimensions for independent variables. While bankruptcy is taken as the dimension for the dependent variable, with bad management as a control or moderating variable. In the words of Ibanichuka and Ihendinihu (2012), income smoothing is the act of "massaging" the accounts to report the desired outcome by the preparers of financial statements. While Rankin et al, (2012) in their view of accounting policy choice claim that, the choice between the existing suitable accounting polices is one of the highly adopted methods of earnings manipulation. AlsoArtificial transactions as a creative accounting dimension seem to have the form of a normal business transaction but without the substance required therein. Again, Araújo, Lima, and Parte (2012) see discretionary accruals as a firm's latitude of the freedom to opt for accounting guidelines they desire. Moreover, Charles and Stanley (2015) present "big bath" as a tactic that companies adopt to purposefully document huge one-off losses in one accounting year. However, a firm is considered bankrupt when it becomes very clear that it's unable to cope with financial commitments. This may not be unconnected to bad management, as used in this study to moderate our research effort. Like Clinton, Mitchell and Laurence (2007), unequivocally assert that 21st century management is confronted with extraordinary rivalry and fast market reorganization. This puts the competence of managers to test.

2.2 Theoretical Review

This study is hinged on the Agency theory, as evidence abounds that the management and ownership of corporate businesses in Nigeria are separated, creating the principal/agent relationship. The agency theory has its proponents and opponents. Be that as it may, the researchers believe that agency relations remain the catalyst to corporate existence as the owners of business units most often do not have the technical knowledge suitable to run their organizations, hence the need to hire an agent with the requisite skills to do so. Though instances are, were the agents may be self-serving, the unethical act may lead to corporate failure. However, agency relationships still remain, perhaps, the "necessary evil" in the corporate world and this applies to the Nigerian aviation industry. Jensen and Meckling (1976) proposed the agency model, which explains the fiduciary association between the owners of entities and their managers. Unambiguously, agency scheme emphases association, as corroborated by Hans, (1993) and Adebisi, Otuagoma and Abah, (2017).

2.3 Empirical Studies

Ibanichuka and Ihendinihu (2012), in their study, examined the linkage that exists between creative accounting and the quality presentation of the bottom line of companies. Using annual reports of the companies covering 2004 to 2008 for twenty financial companies registered in the exchange market, the outcome revealed creative accounting procedures, have an absolute relationship with the entity's fiscal performance, and show substantial conclusion on dividend payout. However, the authors recommended extra severe control measures with active execution instruments to achieve obedience with accounting and auditing values. Also, Essien, E. N. and Fabian, A. O. (2021), considered the impact of creative accounting practices on business failure in the Nigerian aviation industry. The results showed that creative accounting practices have contributed to business failures. Again Fizza and Qaisar (2015), studied Creativity in annual report: They cleared the air, that creativity is not at all unlawful or lawful, just extreme application drives firms to dishonors, and placed duty of operative guideline on the threshold of governments and international standard setters. While Efiok and Eton (2012), as part of their contribution to knowledge, conducted an appraisal on the impact of creative accounting on management decisions of some listed forms on the Nigerian Stock Exchange. The researchers, observed that the act of creativity of annual reporting pointedly shakes the choice of administration to either recreate the organization uphill or give away its reserves. Kumshe (2017) also studied creative accounting and earnings manipulation with motives to examine the model of creative accounting and earnings management not only in the form of its origin, but also in the form of incentives, procedures, experiential review, and its effects on annual reports. It also seeks to seize the moral matters of this model. The author concluded, how impractical to imagine likely eradication creativity nor gains manipulation acts ultimately. But recommended adherence to accounting standards. Nangih (2017) lends credence to the discussion by examining the impact of creative accounting and how reporting techniques exert on the reliability of annual reports of oil servicing firms. The researcher found that creative accounting techniques of the said firms impact the reliability of annual reports adversely, and recommended that oil service firms in Nigeria should jettison creative accounting techniques since they misrepresent annual reports. However conscious effort to x-ray the manipulative accounting recording tactics, saw (Akabom 2011, &Atu et al 2016), assert the presence of creative accounting and lamented how the disdained culture inherent in creativity should be looked at, and re-engineer accounting profession.

Yadav (2013) studied the effect of creative accounting on the performance of firms. opt for it to influence their accounts so as to reveal the wishes of the preparers of the accounts. The researcher suggested that corporate governance can help, in no small measure, ameliorate annual reports of

the entities since annual reports portray the state of affairs of the enterprise. However, Maria and Hina (2016), scrutinized intellectual modification creative accounting and how it impacts annual reports. They confirmed that creative accounting has a substantial undesirable influence on dependability as well as the impartiality of annual reports. Besides, Sanusi and Izedonmi (2013) carried out an experiential examination of the views of knowledgeable employees in the financial sector on creativity in recording techniques in the sector. An appraisal technique design was opted for, and data was gathered from primary sources with the use of a questionnaire. The researchers revealed that the ultimate cause of creativity in recording acts in the financial sector is enhanced sales worth of stocks; handlers of reporting evidence are harmfully impacted by this act of creativity in reporting; and they recommended the restructuring of accounting moralities and rules to lessen the multiplicity of expert decisions in annual reporting to assist in curtailing creative accounting acts. In addition, Ani and Ugwunta (2012) carried out a study on how corporate business failure can be predicted. The outcome showed that MDA is an authentic means of evaluating the liquidity viability of companies in the country. Therefore, MDA has extraordinary extrapolative influence to infer from a set of proportions the probability of collapse. More so, Mbat and Eyo (2013) reflected on the issues that could bring about business collapse and its resultant incapability to achieve its objectives. They advocated the establishment of research and development departments for firms and the maintenance of an effective way of averting corporate failure. Finally, Jennifer and Paul (2006) concentrated efforts to examine whether income smoothing distorts earnings evidence or expands it's information usefulness by comparing previous and present earnings with forthcoming earnings and cash flows. The outcome is healthy for crumbling earnings into cash flows and accruals and for guiding for companies' scope, development, and forthcoming earnings erraticism through secretive evidence quest actions and cross-sectional associations.

3. Methodology

3.1 Research Design, Population, Sample and Sampling Techniques

This current study embraced descriptive survey research design. As explained by Sekaran (2012), a descriptive survey research strategy is non-experimental in that it deals with the interactions amongst non-influenced variables in a normal rather than a laboratory situation. The study's target community is the aviation industry in Nigeria, which comprises airlines in Nigeria. Both are publicly or privately owned to establish the level of failure as it relates to creative accounting. The sampling procedure used in drawing members of the sample was convenience sampling because the variables in the sample are readily available. Therefore, the sample size from where data was collected comprises of the 11 existing domestic airlines in the Nigeria Aviation Industry.

3.2 Data *Sourcing*, Data Analysis *Techniques* and Model Specification

The nature and origin of data for this research effort were from primary sources. Survey data was collected using a well-structured questionnaire. However, this research made use of step-wise ordinary least square regression, aided by SPSS 25 and AMOS 24, to analyze data for this study. However, the functional form of the model used in this research is specified as follows:

BRY= f[INS,APC,ART, DAC, BBA, BMG]

Where
BRY = Bankruptcy
INS = Income Smoothing
APC = Accounting Policy Choices
ART = Artificial Transactions
DAC = Discretionary Accruals
BBA = Big Bath
BMG = Bad Management
Accordingly, we specify: $BRY = \alpha o + \alpha 1\ INS + \alpha 2\ APC + \alpha 3\ ATS + \alpha 4\ DAC + \alpha 5\ BBA + \alpha 6\ BMG + et$
Where αo = Intercept term (parameter)
$\alpha 1$-$\alpha 5$ = Parameter known as partial regression coefficient
et = Error term or unexplained variable

4. Result and Discussion

4.1 Results Presentation

This section contains information pertaining to the response rate and the demographic characteristics of respondents. It focuses on the analysis of data, presentation of results, interpretation, and discussion of findings.

4.1.1 Response Rate

The researcher administered one hundred and thirty-two (132) questionnaires based on the sample size of the study. However, one hundred and twenty (120) respondents completed and submitted their questionnaires. Thus, the analysis of this study was based on the 120 responses received from the eleven (11) domestic airlines, indicating an extremely high response rate of about 91 percent. The response is presented in table 4.1 below.

Table 4.1:
Response Rate

Questionnaires Administered	Questionnaires Returned	Response Rate (%)
132	120	90.9

Source: Field Study, 2021

4.1.2 Demographic Characteristics of Participants

Table 4.2:
Demographic Characteristics of Respondents

	Category	**Frequency**	**Percentage**
Gender	Male	69	57.5
	Female	51	42.5
	Total	**120**	**100.0**
Age	Less than 30	74	61.2
	31-35	22	18.3
	36-40	8	6.7
	41-45	7	5.8
	Above 45	9	7.5
	Total	**120**	**100**
Education	HND/BA/BSc	87	72.5
	MSc/MA/MBA	21	17.5
	PhD	12	10.0
	Total	**120**	**100**
Years of Working	Less than 5	36	30.0
	5-7	24	20.0
	8-10	21	17.5
	11-13	18	15.0
	14-16	13	10.8
	Above 16	8	6.7
	Total	**120**	**100**
Organization	Aerocontractors Nigeria	11	9.2
	Air Peace	12	10.0
	Allied Air Limited	11	9.2
	Arik Air Limited	12	10.0
	Dana Airlines Limited	12	10.0
	Med View Airlines	10	8.3
	Associated Aviation	10	8.3
	First Nation Airways	10	8.3
	IRS Airlines	10	8.3
	Overland Airways	11	9.2
	Azman Air	11	9.2
	Total	**120**	**100**

Source: Field Report, 2021

Descriptive statistics were calculated to examine the demographic characteristics of the 120 staff of the 11 domestic airlines operating in Nigeria. See Table 4.1.2, 57.5% of the respondents were male (n = 69). This indicates that males constituted the majority at 57.5% of the valid responses, while females were 43.5% (n = 51) of the valid responses. Thus, there is likely to be a balanced opinion on matters being asked as there is enough mix of each gender in the research work.

The age distribution revealed that about 61.2% of the participants were less than 30 years (n = 74). 18.3% of the respondents were aged between 31-35 years (n = 22). 6.7% of the respondents were aged between 36-40 years old (n = 8). 5.8% of the respondents were between 41-46 years of age (n = 7). And those above 46 years old were 7.5% of the respondents (n = 9). The majority age group here ranged from 30 years to 36 years, indicating that the respondents used in the research were of active working age. Again, the age distribution used in the research revealed that all working ages are represented here, which reduces the bias response given by one age group.

In terms of the educational level of respondents, 72.5% held either HND, BA, or BSC (n =87), 17.5% held either an MSc, MA, or MBA (n =21), while 10.0% held a PhD (n =12). The educational levels of the respondents revealed that they are educated and well-informed and can therefore provide valid, dependable, and reliable data for the study.

The years of work revealed that 30.0% of the sampled staff had worked for less than 5 years (n = 36), 20.0% of the sampled staff had worked for 5-7 years (n = 24), 17.5% of the sampled staff had worked for 8-10 years (n = 21), 15.0% of the sampled staff had worked for 11–13 years (n = 18), and 6.7% of the sampled staff had worked for 14–16 years (n = 13). Those who had worked above 16 years were 8, representing about 6.7%. The

distribution captured respondents at all levels of job tenure. Finally, the distribution of respondents based on their organization revealed that 12 respondents, each representing 10%, were sampled from three (3) airlines: Air Peace, Arik Air, and Dana Airlines. 11 respondents, each representing 9.2%, were sampled from four (4) airlines: Aero Contractors, Allied Air, Overland Airways, and Azman Air. 10 respondents each representing 8.3% were also sampled from four (4) airlines—Medview Airlines, Associated Aviation, First Nation Airways, and IRS Airlines. This result revealed that adequate respondents were selected from the eleven airlines, which shows adequate representation of the respondents from the sampled domestic airlines in Nigeria.

4.2Data Analyses

This section provides five analyses: first, analyses of the reliability of items used to measure the variables; Second, analyses of both convergent and discriminant validity are used in the determination of the validity of items and constructs. Third, analyses of the descriptive properties of the variables reveal the mean, standard deviation, skewness, and kurtosis of the data. Fourth, analyses of the matrix correlation coefficients of variables reveal the degree of relationship amongst the elements of the research. Fifth, analyses of responses obtained from respondents to items and constructs in the questionnaire.

4.2.1 Reliability Test

Table 4.3:
Cronbach alpha Test of Instrument Reliability

Latent Variable	Construct	No. of Items	Cronbach Alpha (>.70)
Independent variable:	INS	10	.865
Creative Accounting	APC	10	.892
	ART	10	.722
	DAC	10	.784
	BBA	10	.899
Dependent variable:			
Bankruptcy	BRY	10	.808
Control Variable:			
Bad Management	BMG	10	.742

Denotations: INS=Income Smoothing, APC=Accounting Policy Choice, ART=Artificial Transactions, DAC=Discretionary Accruals, BBA=Big Bath, BRY=Bankruptcy, BMG=Bad Management

Source: SPSS version 25

Table 4.4:
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of sampling Adequacy		.772
Bartlett's test of Sphericity	Approx. Chi-square	11885.89
	Df	2415
	Sig	0.000

To scrutinize the internal consistency of each measure, its reliability was explored via Cronbach's Alpha. The reliability valuation was calculated by exploiting Cronbach's alpha. See Table 4.3. The reliability coefficients of all measures ranged from.722 - .899, which established high scale reliability. The Cronbach alphas revealed that the ten items that measured income smoothing as the first dimension of creative accounting had an alpha value of.865. Also, the ten items that measured accounting policy choice as the second construct for creative accounting had an alpha value of.892. Again, the ten items that measured artificial transactions as the third sub-variable of creative accounting had an alpha value of.722. Discretionary accruals, being the fourth sub-variable of creative accounting, had an alpha value of .784 for ten items, while the last construct, Big Bath, used to measure creative accounting, had an alpha value of.899 for ten items.

The variable – bankruptcy, which was measured by ten items, also had an alpha value of .808, while the control variable – bad management, also measured by ten items, had an alpha value of.742. All these alpha values suggest high degrees of reliability, thus indicating that the constructs of the study were highly reliable.

Further tests of construct reliability were conducted using the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity in table 4.4. The KMO value of.772, which exceeded the threshold of.50, indicates that the items met the sampling adequacy. The Bartletts' value of 11885.89, with a sig.value of 0.000, less than 0.05, shows that the items have internal consistency. The consistently high values of composite reliability revealed in table 4.4 also indicate that the data is very reliable.

4.2.2 Validity Test

Table 4.5:
Factor Analyses for Convergent Validity

Variable	Items	Factor Loading	AVE	CR	AVE^2
INS	INS1	.958	0.888	0.974	0.789
	INS2	.920			
	INS3	.851			
	INS4	.933			
	INS5	.939			
	INS6	.874			
	INS7	.868			
	INS8	.789			
	INS9	.850			
	INS10	.893			
APC	APC1	.896	0.881	0.972	0.776
	APC2	.864			
	APC3	.788			
	APC4	.872			
	APC5	.882			
	APC6	.892			
	APC7	.921			
	APC8	.890			
	APC9	.885			
	APC10	.916			
ART	ART1	.892	0.879	0.971	0.773
	ART2	.903			
	ART3	.857			
	ART4	.873			
	ART5	.871			
	ART6	.832			
	ART7	.813			
	ART8	.886			
	ART9	.921			
	ART10	.946			
DAC	DAC1	.929	0.846	0.962	0.716

	DAC2	.884			
	DAC3	.876			
	DAC4	.786			
	DAC5	.810			
	DAC6	.702			
	DAC7	.813			
	DAC8	.853			
	DAC9	.956			
	DAC10	.852			
BBA	BBA1	.870	0.85	0.963	0.723
	BBA2	.901			
	BBA3	.782			
	BBA4	.849			
	BBA5	.839			
	BBA6	.877			
	BBA7	.888			
	BBA8	.802			
	BBA9	.887			
	BBA10	.805			
BMG	BMG1	.794	0.785	0.942	0.616
	BMG2	.842			
	BMG3	.727			
	BMG4	.774			
	BMG5	.804			
	BMG6	.861			
	BMG7	.792			
	BMG8	.827			
	BMG9	.725			
	BMG10	.707			
BRY	BRY1	.854	0.830	0.957	0.689
	BRY2	.862			
	BRY3	.794			
	BRY4	.893			
	BRY5	.783			
	BRY6	.844			
	BRY7	.768			
	BRY8	.750			
	BRY9	.857			
	BRY10	.894			

INS=Income Smoothing, APC=Accounting Policy Choice, ART=Artificial Transactions, DAC=Discretionary Accruals, BBA=Big Bath, BMG=Bad Management, BRY=Bankruptcy.

Face validity is fused into the research measures via renowned certified measures that are more authenticated via later studies. Convergent validity was assessed using the Average Variance Extracted (AVE) obtained through Confirmatory Factor Analysis. An AVE below 0.50 lacks convergent validity. In table 4.5 above, the AVE value of the ten (10) items that measure Income Smoothing (INS) was 0.888, the AVE value of the ten (10) items that measure Accounting Policy Choice (APC) was 0.881, the AVE value of the ten (10) items that measure Artificial Transactions (ART) was 0.879, the AVE value of the ten (10) items that measure Discretionary Accruals (DAC) was 0.846, and the AVE value of the ten (10) items that measure Big Bath (BBA) was 0.850. The construct of bad management (BMG) measured with ten items had an AVE value of 0.785, while the construct of bankruptcy (BRY) measured with ten items had an AVE value of 0.830. All seven variables in the study had AVE values above 0.50, showing the presence of convergent validity.

Divergent or discriminant validity is also tested through the comparison of the square of average variance extracted (AVE) values for each variable with the correlation estimate between the variables of the study in Table 4.7. The outcomes in Table 4.5 above showed all the square AVE values (0.789 for income smoothing items, 0.776 for Accounting Policy Choice items, 0.773 for Artificial Transaction items, 0.716 for Discretionary Accrual Items, 0.723 for big bath items, 0.616 for bad management items, and 0.689 for bankruptcy items) exceeded the correlations between all variables in Table 4.7. It is thus agreed that the study variables and items have divergent and discriminant validity.

4.2.2 Descriptive Analyses

Table 4.6:
Descriptive Statistics:

Variable	Mean	Std	Skewness	Kurtosis	Obs
INS	3.46	0.60	-0.422	-1.023	120
APC	3.66	0.36	-0.450	-.588	120
ART	3.73	0.39	-1.359	1.190	120
DAC	3.51	0.55	-0.126	-1.094	120
BBA	3.52	0.60	-0.240	-.160	120
BMG	3.81	0.36	-0.120	-.672	120
BRY	4.24	0.64	-1.832	3.023	120

Source: researchers' desk (2021)

This section provides discussions of both descriptive features like the mean, standard deviation, skewness, kurtosis, and total observations. Table 4.6 revealed that the mean value of income smoothing practices was 3.46 with a standard deviation of 0.60, which suggests the data was not dispersed from the mean. The data was negatively skewed (skewness=-0.422), with a platykurtic distribution of -1.023, less than 3. The average data reveals that domestic airlines carry out income smoothing as a creative accounting type. The mean value of the use of Accounting Policy Choices in managing earnings was 3.66 with a standard deviation of 0.36. The data is negatively skewed (skewness = -0.450) and generally flat, with a platykurtic distribution of -0.588, less than 3. The mean data indicates that accounting policy choices have been used by domestic airlines to window dress their accounts and reports. Artificial transactions used by management to window dress their financial reports also have a mean value of 3.73 with a standard deviation of 0.39. The data is negatively skewed (skewness = -1.359) and generally flat, that is, platykurtic (K = 1.190) less than 3. The average value shows that artificial transactions have been used over time by the management of airline companies in creating accounting numbers and items. Discretionary Accruals practices as earnings management dimensions have a mean value of 3.51, with a standard deviation of .55. Data is negatively skewed (skewness =-0.126) and generally flat, that isplatykurtic, as K=-1.094 is less than 3. The data revealed that discretionary accruals in the estimation and measurement of items of assets and liabilities have been employed over time by the management of the sampled domestic airlines. Big bath practices among the sampled domestic airlines have a mean value of 3.52 and a standard deviation of 0.60. The data is negatively skewed (skewness = -0.240) and generally flat, that is, platykurtic, as K = -0.160 is less than 3. Thus, the use of big bath creative accounting exists among domestic airlines in Nigeria.The responses on bankruptcy show that, on average, there is a 4.24 out of 5.0 response rate on the prevalence of bankruptcy among domestic airlines. The standard deviation of 0.64 indicates that the deviation of respondents regarding the prevalence of bankruptcy among domestic airlines does not deviate from the mean. The data is also negatively skewed (skewness = -1.832) and follows a mesokurtic distribution, i.e., K (3.023) is equal to 3. Finally, the variable "bad management" revealed a mean value of 3.81 with a standard deviation of 0.36. The average value indicates that bad management highly characterizes the operations of domestic airlines included in this study. The data is also negatively skewed (skewness = -0.120) and follows a platykurtic distribution, i.e., K = -06723

4.2.3 Correlation Analyses

Table 4.7:
Matrix Moment Correlation

Variable	INS	APC	ART	DAC	BBA	BMG	BRY
INS	1						
APC	0.328** (0.000)	1					
ART	.115 (0.212)	.155 (0.090)	1				
DAC	.620** (0.000)	.382** (0.000)	.194* (0.034)	1			
BBA	.609** (0.000)	.394** (0.000)	.396** (0.000)	.642** (0.000)	1		
BMG	.121 (0.189)	-.177 (0.054)	-.182* (0.046)	.101 (0.274)	-.083 (0.368)	1	
BRY	.355** (0.000)	.333** (0.000)	.336** (0.000)	.302** (0.000)	.560** (0.000)	.300** (0.001)	1

***. Correlation is significant at the 0.01 level (2-tailed).*

***. Correlation is significant at the 0.01 level (2-tailed).*

ANNOTATIONS: INS=Income Smoothing, APC=Accounting Policy Choice, ART=Artificial Transactions, DAC=Discretionary Accruals, BBA=Big Bath, BMG=Bad Management, BRY=Bankruptcy.

The Pearson moment correlation coefficient matrix analysis was employed to examine whether there were associations between the constructs adopted in this study. All Pearson correlation coefficients among the variables of the study had correlation coefficients ranging from -0.182 < r < .642 as seen in table 4.7 above. Though those correlation coefficients do not offer a complete test of the hypothesized associations, they usually assist in predicting the anticipated pattern of outcomes.

An exploration of the correlations and associations between the dependent variable (bankruptcy) and creative accounting variables, revealed the following outcomes. First, bankruptcy is positively and significantly correlated with income smoothing at the 0.01 level, as revealed by a correlation coefficient of 0.355 (p = 0.000). This outcome indicates that the higher the income smoothing practices of management, the higher the probability of bankruptcy among domestic airlines in Nigeria practicing income smoothing creative accounting. Second, bankruptcy is positively and significantly correlated with accounting policy choice at the 0.01 level, as revealed by a correlation coefficient of 0.333 (p = 0.000). This result indicates that as domestic airlines adopt more accounting policies in presenting their accounts, the greater the likelihood and possibility of failure and bankruptcy they face. Third, bankruptcy is positively and significantly correlated with artificial transactions at the 0.01 level, as revealed by a correlation coefficient of 0.336 (p = 0.000). This result indicates that the more artificial transactions created by managers of domestic airlines in reporting their financial transactions, the greater the threat of failure and bankruptcy they face. Fourth, bankruptcy is positively and significantly correlated with discretionary accruals at the 0.01 level, as revealed by a correlation coefficient of 0.302 (p = 0.000). This result indicates that as estimation errors and bias increase in the measurement of assets and liabilities components, the higher the chances of corporate failure among domestic airlines in Nigeria. Finally, bankruptcy is positively and significantly correlated with big bath @ 0.01level, revealed by a correlation coefficient of 0.560(p=0.000). This outcome indicates that the higher the level of big bath practices evidenced by hiding profits and income items by managers of domestic airlines, the higher the degree of failure and bankruptcy becomes. Overall, these correlations reveal that creative accounting practices are associated with bankruptcy and corporate failure of domestic airlines, with the correlation between bankruptcy and big bath being the highest, r = 56 percent. The association between bankruptcy and other creative accounting practices is revealed by correlations that range between 30.2 percent and 35.5 percent.

Furthermore, the correlations among the variables of creative accounting revealed the following results. Income smoothing practice was found to be positively and significantly related to Accounting Policy Choice practices at the 0.01level of significance (r=.328; p=0.000). This implies that domestic airlines that adopt high levels of income smoothing also adopt high levels of accounting policy choice in dressing their accounts. Income smoothing practice was also found to be positively related to artificial transactions. This relationship is insignificant @ 0.05 level (r=.115; p=0.212). This implies that income smoothing practices and artificial transactions do not significantly correlate among the domestic airlines sampled in this study. Again, Income smoothing practice was observed to be positively and significantly related to Discretionary accruals @ 0.01 level of significance (r=.620; p=0.000). This indicates that domestic airlines that adopt high levels of income smoothing also have high levels of discretionary accruals in preparing and reporting financial operations. Furthermore, Income smoothing practice was found positive and significantly interrelated to Big bath @ 0.01level of significance (r=.609; p=0.000). This indicates that domestic airlines that adopt high levels of income smoothing also practice high levels of big bath in their profit estimations and reports.

More so, bad management does not seem to have strong correlations with the variables of creative accounting, except for artificial transactions, with a negativity and significant correlation at the 0.05 level. More specifically, bad management has a positive association with income smoothing and discretionary accruals, which are not significant at 0.01 and 0.05. The correlation with income smoothing is revealed by the coefficient, r =.121 (p = 0.189), while the correlation with discretionary accruals is revealed by the coefficient, r =.101 (p = 0.274). Bad management, contrarily, is negatively affiliated with accounting policy choice and big bath practices, which are not significant at 0.01 and 0.05 levels. The correlation with accounting policy choice is revealed by the coefficient, r = -.177 (p = 0.054), while the correlation with big bath practices is revealed by the coefficient, r = -.083 (p = 0.368). However, bad management has a negative and significant relationship with accounting policy choice at 0.05 levels (r = -.182; p = 0.046). Thus, public sector financial management tools are significantly and positively related.

Finally, bad management as a control variable has a positive and significant effect on the probability of bankruptcy among domestic airline companies in Nigeria. The significant association at the 0.01 level revealed by a correlation of r =.300 (p = 0.001) indicates that as bad management increases, the possibility and threat of bankruptcy also increase in direct proportion. More specifically, there is a 30% affiliation between the dependent variable and the control variable. Making control variable – bad management a vital variable for inclusion in the study. Overall, all the correlations do not present any threat to the analysis as there seems to be no problem with multicollinearity in the data. Since the correlations are not up to .80, there is therefore no multicollinearity. Thus, the variables fit for regression analysis in the study.

4.3 Test of Hypotheses

The regression model was estimated via Stepwise Ordinary Least Square (OLS) Regression. Six models are specified for the regression result. The outcome of the regression is presented in table 4.8 below.

Table 4.8:
Step-Wise Regression Result for Hypotheses 1-6

		Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**
Intercept	β	**1.271**	**-0.873**	**-0.728**	**1.275**	**-0.113**	**-3.402**
	(p-value)	*(0.040)*	*(0.298)*	*(0.368)*	*(0.049)*	*(0.848)*	*(0.000)*
	[t-stats]	[2.07]	[1.05]	[0.90]	[1.99]	[0.19]	[4.04]
INS	β	**0.349**					**0.306**
	(p-value)	*(0.000)*					*(0.017)*
	[t-stats]	[3.87]					[2.41]
APC	β		**0.715**				**0.456**
	(p-value)		*(0.000)*				*(0.001)*
	[t-stats]		[4.88]				[3.39]
ART	β			**0.657**			**0.543**
	(p-value)			*(0.000)*			*(0.000)*
	[t-stats]			[4.95]			[3.89]
DAC	β				**0.321**		**0.387**
	(p-value)				*(0.002)*		*(0.003)*
	[t-stats]				[3.24]		[3.07]
BBA	β					**0.577**	**0.377**
	(p-value)					*(0.000)*	*(0.001)*
	[t-stats]					[7.28]	[3.26]
BMG	β	**0.461**	**0.655**	**0.661**	**0.482**	**0.609**	**0.767**
	(p-value)	*(0.002)*	*(0.000)*	*(0.000)*	*(0.002)*	*(0.000)*	*(0.000)*
	[t-stats]	[3.12]	[4.54]	[4.58]	[3.21]	[4.69]	[6.17]
R-Squared		.19	.24	.25	.17	.37	.60
F-statistic		14.0	18.9	19.2	11.5	34.9	19.1
F(*Prob*)		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

ANNOTATIONS: INS=Income Smoothing, APC=Accounting Policy Choice, ART=Artificial Transactions, DAC=Discretionary Accruals, BBA=Big Bath, BMG=Bad Management, BRY=Bankruptcy.

The R-squared values of the six models in Table 4.8 are explained below. The R-squared value in Model 1 indicates that income smoothing and bad management explain about 19 percent variation in bankruptcy probability. The R-squared value in Model 2 indicates that accounting policy choice and poor management account for approximately 24% of the variation in bankruptcy probability.The R-squared value in Model 3 indicates that artificial transactions and poor management account for approximately 25% of the variation in bankruptcy probability.The R-squared value in Model 4 indicates that discretionary accruals and poor management account for approximately 17% of the variation in bankruptcy probability.The R-squared value in Model 5 indicates that big bath practices and poor management account for approximately 37% of the variation in bankruptcy probability.The pooled model in Model 6 indicates that all the variables, income smoothing, accounting policy choice, artificial transactions, discretionary accruals, big bath practices, and bad management jointly account for 60 percent of the variation and change in bankruptcy among domestic airlines. Overall, the variables studied have explanatory power over bankruptcy.

The model fitness is also tested using the F-statistic ratio and their accompanying p-values. Model 1 had an F-ratio of 14.0 (p=0.000), Model 2 had an F-ratio of 18.9 (p=0.000), Model 3 had an F-ratio of 19.2 (p=0.000), Model 4 had an F-ratio of 11.5 (p=0.000), Model 5 had a F-ratio of 34.9 (p=0.000), and Model 6 had an F-ratio of 19.1 (p=0.000).The p-values of the model are all significant at the 0.01 level, which means the reported F-ratios are statistically significant. Hence, the models are statistically suitable, and the variables specified are perfect in the Ordinary Least Square (OLS) estimation employed across the eleven (11) Nigerian domestic airline companies to estimate the effect of creative accounting on bankruptcy probabilities.

4.3.1 Hypothesis One

Ho: Income smoothing does not have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

Hi: Income smoothing has a significant effect on the bankruptcy of domestic airline companies in Nigeria.

In Model 1, income smoothing has a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.349 (p = 0.000). The outcome indicates that the higher levels of income smoothing can lead to bankruptcy of firms that practice income smoothing. This effect is about 34.9 percent.

In the pooled model 6, income smoothing also has a positive and significant effect on bankruptcy at the 0.05 level, with a coefficient of b = 0.306 (p = 0.017). The regression coefficient indicates a unit increase in income smoothing practices will trigger a 30.6 percent likelihood of bankruptcy and failure among domestic airlines in Nigeria. The effects of income smoothing in both models are significant at the 0.05 level of significance, with p-values<0.05.

Furthermore, an inspection of the t-statistics revealed that the t-calculated values in both models, t = 3.87 and t = 2.41 for Model 1 and Model 6, respectively, are greater than the t-critical value (t-crit = 2.1, @ 112 df). This supports the rejection of the null hypothesis one, since t-cal> t-crit. Thus, the H1 null is rejected at a level of 0.05 significance. The study therefore upholds that income smoothing has a significant effect on the bankruptcy of domestic airline firms in Nigeria.

4.3.2 Hypothesis Two

Ho: Accounting policy choice does not have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

Hi: Accounting policy choices have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

In Model 2, accounting policy choice has a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.715 (p = 0.000). The result indicates that firms that use more conservative and manipulative accounting policies have a higher chance of being bankrupt than firms with more flexible accounting policies. The coefficient of effect portrays that there is a 71.5 percent likelihood of bankruptcy among Nigerian domestic airlines with manipulative accounting policies.

In the general Model 6, accounting policy also has a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.456 (p = 0.001). The regression coefficient indicates, a unit increase in accounting policy choice will prompt a 45.6 percent likelihood of bankruptcy and failure among domestic airlines in Nigeria. Thus, the effects of accounting policy choice in both models are significant at the 0.01 level of significance.

Further inspection of t-statistics revealed that the t-calculated values in both models, t = 4.88 and t = 3.39 for Model 2 and Model 6, respectively, are greater than the t-critical value (t-crit = 2.1, @ 112 df). This validates the rejection of the null hypothesis two, since t-cal> t-crit. Thus, the H2 null is rejected at a level of 0.05 significance. The study therefore confirms that accounting policy choice has a significant effect on the bankruptcy of domestic airline firms in Nigeria.

4.3.3 Hypothesis Three

Ho: Artificial transactions do not have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

Hi: Artificial transactions have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

In Model 3, artificial transactions have a positive and significant effect on bankruptcy at 0.01 level, with a coefficient of b=0.657 (p = 0.000). The result indicates that firms that use artificial transactions to report superior financial performance face a potential threat of bankruptcy. The coefficient of effect indicates that there is a 65.7 percent likelihood of bankruptcy among Nigerian domestic airlines.

In the comprehensive Model 6, artificial transactions also have a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b=0.543 (p = 0.001). The regression coefficient indicates that for every one artificial transaction included in the financial statement of a domestic airline firm, the firm faces a 54.3 percent likelihood of bankruptcy. Thus, the effects of artificial transactions in both models are significant at 0.01 level of significance.

Further inspection of t-statistics revealed that the t-calculated values in both models, t = 4.95 and t = 3.89 for Model 3 and Model 6, respectively, are greater than the t-critical value (t-crit = 2.1, @ 112 df). This authenticates the rejection of the null hypothesis three, since t-cal> t-crit. Thus, the H3 null is rejected at a level of 0.05 of significance. The study therefore upholds that artificial transactions have a significant effect on the bankruptcy of domestic airline firms in Nigeria.

4.3.4 Hypothesis Four

Ho: Discretionary Accruals do not have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

Hi: Discretionary Accruals have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

In Model 4, discretionary accruals have a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.321 (p = 0.002). The result indicates that firms that manage their earnings through discretionary accruals have a high bankruptcy probability. The coefficient of effect explains a 32.1 percent bankruptcy probability among Nigerian domestic airlines.

In the joint Model 6, discretionary accruals also have a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.387 (p = 0.003). The regression coefficient indicates that for every one-unit managerial estimation of accounting number using discretionary accruals, the firm faces a 38.7 percent chance of bankruptcy. Hence, the effects of discretionary accruals in both models are significant at the 0.01 level of significance.

Further inspection of t-statistics revealed that the t-calculated values in both models, t = 3.24 and t = 3.07 for Model 4 and Model 6, respectively, are greater than the t-critical value (t-crit = 2.1, @ 112 df). This endorses the rejection of the null hypothesis four, since t-cal> t-crit. Thus, the H4 null is rejected at a level of 0.05 significance. The study therefore upholds that discretionary accrual has a significant effect on the bankruptcy of domestic airline firms in Nigeria.

4.3.5 Hypothesis Five

Ho: Big bath practices do not have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

Hi: Big bath practices have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

In Model 4, big bath practices have a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.577 (p = 0.000). The result indicates that firms that manage their earnings through big bath practices have a high bankruptcy possibility. The coefficient of effect revealed a 32.1 percent bankruptcy possibility among Nigerian domestic airlines.

In the joint Model 6, big bath practices also have a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.377 (p = 0.001). The regression coefficient indicates, a unit increase in big bath practices, results to a 37.7 percent possibility of bankruptcy. Hence, the effects of big bath practices in both models are significant at the 0.01 level of significance.

Further inspection of the t-statistics revealed that the t-calculated values in both models, t = 7.28 and t = 3.26 for Model 5 and Model 6, respectively, are greater than the t-critical value (t-crit = 2.1, @ 112 df). This backs up the rejection of the null hypothesis five, since t-cal> t-crit. Thus, the H5 null is rejected at a level of 0.05 significance. The study therefore upholds that big bath practices have a significant effect on the bankruptcy of domestic airline firms in Nigeria.

4.3.6 Hypothesis Six

Ho: Bad management does not have a significant effect on the bankruptcy of domestic airline companies in Nigeria.

Hi: Bad management has a significant effect on the bankruptcy of domestic airline companies in Nigeria.

In Model 1, bad management as a control variable has a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.461 (p = 0.002). In Model 1, bad management as a control variable has a positive and significant impact on bankruptcy at the 0.01 level, with a coefficient of b=0.655 (p = 0.000). In Model 3, bad management as a control variable has a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b=0.661 (p = 0.000). In Model 4, bad management as a control variable has a positive and significant effect on bankruptcy at

the 0.01 level, with a coefficient of b = 0.481 (p = 0.002). In Model 5, bad management as a control variable has a positive and significant effect on bankruptcy at 0.01 level, with a coefficient of b = 0.609 (p = 0.000).

In the joint Model 6, bad management also has a positive and significant effect on bankruptcy at the 0.01 level, with a coefficient of b = 0.76.7 (p = 0.002). The regression coefficient indicates. a unit increase in bad management practices, prompt a percent possibility of bankruptcy.

Further inspection of the t-statistics revealed that the t-calculated values in all models, t = 3.12, t = 4.54, t = 4.58, t = 3.21, t = 4.69, and t = 3.26 for Models 1, 2, 3, 4, 5, and Model 6, respectively, are greater than the t-critical value (t-crit = 2.1, @ 112 df). This supports the rejection of the null hypothesis six, since t-cal> t-crit. Thus, the H6 null is rejected at a level of 0.05 sig. The study therefore upholds that bad management has a significant effect on the bankruptcy of domestic airline firms in Nigeria.

4.4 Discussion of Findings

First, the study found that income smoothing positively affects the bankruptcy probability of firms. This finding agrees with Shabani&Sofian (2018), who found that earnings smoothing poses a significant threat to the sustainability of companies, especially for companies that are no longer able to conceal bad news from stakeholders. However, (and Phung& Nguyen 2017) corroborated the above conclusion that income smoothing poses a threat to corporate survival.

Second, the study found that manipulations in accounting policy choice significantly expose companies to bankruptcy. This outcome is underpinned by Ame et al. (2019), who observed that organizations that use either very aggressive or conservative accounting policies are associated with higher bankruptcy risk.

Third, artificial transactions significantly lead to bankruptcy. The result is corroborated by Hoelle (2010), who found that firms that use artificial transactions such as doubling asset values or reporting items that are non-existent in order to gain investor support face the imminent threat of losing their investors and subsequent bankruptcy.

Fourth, discretionary accruals have positive and significant effects on the bankruptcy probabilities of companies. The result is supported by Dutzi and Rausch (2016), who reported that discretionary accruals used as an opportunistic earnings management tool by managers to refuse efficient communication or to conceal private information causes great distress for firms when stakeholders become aware of these opportunistic behaviours of managers.

Fifth, big bath practices have led to significant bankruptcy crises for practicing firms. This finding is accepted by Biddle et al. (2010), who found that unconditional and conditional big bath practices are associated with contemporaneous and subsequent liquidation and bankruptcy risk.

Finally, bad management has a significant effect on bankruptcy. The finding agrees with Okoye&Nwobi (2020), who reported that apart from creative accounting and earnings management practices of firms, bad management has been a significant issue causing the folding up of companies in Nigeria.

Conclusion and Recommendations

Our inquest was to determine the effect of creative accounting dimensions on corporate failure, specifically in the Nigerian aviation industry. The main aim was to investigate how creative accounting techniques and dimensions influence corporate failure in the industry. Specifically, the study investigated whether income smoothing, accounting policy choice, artificial transactions, discretionary accruals, and big bath as dimensions of creative accounting affect the bankruptcy probability of aviation firms, controlling for bad management practices. The results showed that all dimensions of creative accounting were practiced by domestic airline companies in Nigeria. Our results indicated that creative accounting had a significant effect on corporate failure in the Nigerian aviation industry. Our recommendation, amongst others, is:
i) There should be fewer smoothing measures, and ii) there should be regulations governing accounting policy selection. There should be restrictions on the inclusion of artificial transactions in financial reports. iv) The measurement of accruals should be done in a non-discretionary manner, to limit managerial tendencies to misspecify assets and liabilities. v) The use of "large bath" accounting practices should be reduced in order to report the actual profit earned in each fiscal year. The management of domestic airlines should improve their management practices.

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