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Impact of Discretionary Accrual Earnings Management on Firm Value of Listed Consumer Goods Firms in Nigeria

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Abstract
This study examined the impact of discretionary accrual earnings management on firm value of listed consumer goods firms in Nigeria. The study adopted a longitudinal panel research design, selecting a sample of sixteen (16) firms through purposive sampling technique from the population of twenty-one consumer goods firms listed in Nigerian Exchange Group (NGX) as at 31st December 2022. Earnings management was proxied using absolute value of discretionary accruals via a modified Jones Model, while Tobin's Q ratio served as the measure for firm value. Data spanning 2013 to 2022 was sourced from audited annual financial statements of the sampled firms. Various analytical methods, including descriptive analysis, correlation analysis and multiple regression techniques, were employed to analyze the dataset. The results revealed that discretionary accrual earnings management has a positive and significant impact on the firm value of listed consumer goods firms in Nigeria. Considering these findings, the study recommends that policy makers should strengthen frameworks to detect and deter excessive or deceptive earnings management practices that could mislead investors and distort market perceptions. Therefore, effective frameworks are essential to ensure that earnings management practices adhere to ethical standards.

Keywords: Earnings Management, Firm Value, Consumer Goods Firms, Nigeria.

1. Introduction

In recent years, the study on discretionary accrual earnings management and its impact on firm value has garnered significant attention from researchers and practitioners alike. Discretionary accrual earnings management refers to the practice where managers use their judgement in financial reporting and adjusting the accrual components of earnings to influence the reported income of a company (Uwuigbe et al., 2015; Uwuigbe & Olusanmi, 2017; Al-Absy et al., 2020). This practice usually influences investor perception about a firm's performance and its market valuation, as reflected by metrics such as Tobin's Q (Al-Zahrani, 2019; Thenmozhi et al., 2019; Avabruth & Padhi, 2021). Tobin's Q is a widely recognized measure in financial economics, particularly useful for assessing the market value of firms relative to their tangible assets' replacement cost (Thenmozhi et al., 2019; Avabruth & Padhi, 2021). A high Tobin's Q indicates that the market values of the firm's assets is more than their replacement cost, suggesting efficient resource allocation and potential growth opportunities (Sampurna & Romawati, 2019).

Conversely, a low Tobin's Q may indicate undervaluation or inefficiencies within the firm (Sampurna & Romawati, 2019; Hernawati et al., 2021). In the context of Nigeria's consumer goods sector, understanding how earnings management influences firm value, as measured by Tobin's Q, is crucial for stakeholders seeking transparency and reliability in financial reporting (Darmawan et al., 2019). Nigeria's consumer goods sector is a vital component of its economy, characterized by diverse companies engaged in the production and distribution of goods essential for daily consumption. This sector is influenced by factors such as consumer behaviour, regulatory frameworks, and economic conditions, all of which contribute to its dynamic nature (Olatunji & Juwon, 2020; Iredele et al., 2022).

Financial statements are essential tools that depict the financial health of business entities, aiding stakeholders and other users in making informed economic decisions. The primary goal of financial reporting is to furnish high-quality accounting information, enabling interested parties to assess business performance and make strategic choices (Uwuigbe & Olusanmi, 2017; Iredele et al., 2022). Financial information users rely on these reports to determine company's value and investment potential, with earnings playing a crucial role in evaluating the choice of where to invest (Darmawan et al., 2019; Hernawati et al., 2021). Market value serves as a critical indicator of corporate success, reflecting investor confidence and interest (Darmawan et al., 2019). Companies must maintain an appealing market value to attract investors, as it directly impacts shareholders' wealth (Bankole et al., 2018; Iredele et al., 2022). Conversely, declines in market value can undermine investor confidence and jeopardize a company's viability (Darmawan et al., 2019). Therefore, companies have a strong incentive to increase their firm's value.

The prevalence of earnings management underscores broader concerns about financial reporting integrity globally, including Nigeria (Bankole et al., 2018; Olatunji & Juwon, 2020). These practices not only mislead financial statement users but also contribute to significant economic repercussions, such as market disruptions and loss of investor trust (Uwuigbe et al., 2015; Darmawan, 2019; Cyril et al., 2020). Earnings management has been on the rise in Nigeria, driven by motives such as misleading investors or gaining undue advantages (Sanusi & Izedonmi, 2013). This trend has contributed to financial instability in several prominent institutions, including cases like Cadbury Nigeria Plc's accounting scandal and legal actions against financial professionals implicated in fraudulent practices as in the case of Akintola William and Delloitee (Ojomolade & Adejuwon, 2020; Iredele et al., 2022), raising fundamental questions about the integrity of financial information and the accounting profession in Nigeria (Ojomolade & Adejuwon, 2020; Iredele et al., 2022). In light of these challenges, this study seeks to empirically investigate the extent to which earnings management impact the firm value of listed consumer goods firms in Nigeria.

To provide a deeper understanding of this paper, the remainder of the study is structured as follows: Section 2, reviews relevant literature, encompassing, empirical and theoretical perspectives, along with hypothesis development. Section 3 outlines the research methodology used. Section 4 discusses empirical results and Section 5 offers a conclusion and recommendation.

2. Literature Review and Hypotheses Development

To provide a clear understanding, the study categorized the review based on the nature of the relationship between earnings management and firm value. The review is grouped into positive, negative, and insignificant relationships.

Empirical Studies on Positive Relationship

Essien and Akpan (2024), investigated the relationship between board diversity and earnings quality among listed deposit money banks in Nigeria. The authors asserted that boards with greater diversity, in terms of gender, age, education, and experience, are associated with higher earnings quality. They argue that diverse boards are better equipped to monitor management and reduce aggressive earnings management practices, including discretionary accruals.

Akpan et al. (2024), shifts the focus to corporate attributes and their influence on risk management disclosures among Nigerian insurance companies. The study identifies corporate attributes, such as company size, ownership structure, and board characteristics, as critical factors affecting the

transparency of risk management disclosures. This, in turn, influences the companies' financial reporting practices, including the level of earnings management.

Aguguom and Salawu (2022) investigated the impact of earnings smoothing on market share price in Nigerian listed companies, the study found a significant positive impact of earnings smoothing on market share price. Although some controlling variables showed negative effects, the primary relationship remains positive, suggesting that some forms of earnings management can boost firm value under certain conditions.

Adewojo and Siyanbola (2021) examined the effect of earnings quality on the market value of manufacturing companies in Nigeria, revealing a significant positive relationship between earnings quality and market values. Their findings suggest that adopting appropriate capital structure policies could enhance firm performance, indicating a beneficial relationship between earnings management and firm value when done correctly.

Empirical Studies on Negative Relationship

Ahmed and Ali (2022) analyzed the effect of earnings management on the firm value of Nigerian oil and gas companies. The research indicated a significant negative effect of earnings management on firm value, highlighting the importance of curbing such practices and reinforcing the view that earnings manipulation practices can be detrimental to firm performance and shareholder value.

Abogun et al. (2021) studied the impact of income smoothing on firm value in a regulated market, the research found a significant negative effect on firm value, suggesting that income smoothing, often a form of earnings management, can damage the firm's market value. They also pointed out that market risk plays a critical role in moderating this relationship.

Oyebamiji (2020), addressed the relationship between audit quality and earnings management in the context of listed consumer goods firms in Nigeria. The findings revealed that higher audit quality is inversely related to the level of discretionary accrual earnings management, suggesting that strong audit firms act as effective deterrents to earnings management, ensuring more accurate reporting and a more reliable valuation of the firms.

Jiraporn et al. (2008) explored the consequences of earnings management on firm value, demonstrating that excessive manipulation is typically associated with long-term declines in stock performance and increased volatility, highlighting a negative impact of earnings management on firm value when it becomes excessive.

Healy and Wahlen (1999) defined earnings management and discusses its prevalence and motivations. The authors argue that while earnings management can serve as a tool for conveying private information, it often leads to misrepresentation and decreased firm value.

Dechow et al. (1995) introduced models for detecting earnings management and shows that discretionary accruals can be used to manipulate reported earnings. The findings suggest that such practices can mislead investors about the firm's true financial health.

Empirical studies on Insignificant Relationship

Iredele et al. (2022) explored the impact of creative accounting practices on shareholders' wealth in Nigerian consumer goods companies. Using panel data regression, they found that changes in inventory and assets valuation methods significantly affected shareholders' wealth, but other changes, like depreciation and liabilities valuation, did not have a significant impact, indicating that not all creative accounting practices or forms of earnings management influence firm value.

Cyril et al. (2020) studied the impact of earnings management on the financial performance of Nigerian consumer goods firms. Using secondary data from selected companies, the research found no significant impact of earnings management on financial performance, suggesting that in some contexts, earnings management does not have a noticeable effect on firm value.

Klein (2002) examined the relationship between corporate governance mechanisms and earnings management, reported that effective governance can reduce earnings manipulation and protect firm value. Although governance plays a role in earnings management, the direct relationship to firm value is implied to be more indirect and not as immediately significant as in other studies.

The review revealed that earnings management can have varied effects on firm value. Essien and Akpan (2024) provide valuable insights into how diverse boards can enhance earnings quality, which can be explored in consumer goods firms to see if diversity reduces earnings manipulation. Akpan et al. (2024) add a layer of complexity by suggesting that corporate attributes—such as size and board characteristics—can affect financial reporting transparency and risk management, which in turn influences earnings management practices. Again, Oyebamiji (2020) offers direct evidence of the importance of audit quality in constraining earnings management and improving firm value in consumer goods firms.

While some studies have reported positive relationships (Aguguom & Salawu, 2022; Adewojo & Siyanbola, 2021). The positive relationships are observed when earnings quality and smoothing align with good governance or capital structure policies. In another vein, negative relationships arise when manipulation is excessive or mismanaged as indicated by the studies of Ahmed and Ali (2022), Abogun et al. (2021), and Jiraporn et al. (2008). In some cases, such as the studies by Klein (2002), Cyril et al. (2020), and Iredele et al. (2022), the relationship is found to be insignificant, suggesting that the impact of earnings management might not always be direct or substantial in certain sectors or regions.

These studies collectively contribute to understanding the complex dynamics of accounting manipulation practices and their implications for financial performance and market valuation. While extensive research on earnings management exists globally, the studies that specifically focused on the Nigerian consumer goods sector are limited. Therefore, there is a need for empirical research to add to limited existing literature and provide evidence-based insights. Based on this research gap, the current study hypothesizes that:

H1: Earnings management has no significant impacts on the firm value of listed consumer goods firms in Nigeria.

Theoretical Review

This section aims to build a theoretical foundation for analyzing how earnings management affects the value of publicly traded consumer goods firms in Nigeria. It explores key theories, specifically agency

theory and signaling theory, to understand how earnings manipulation influences firm value in this market.

Agency theory examines the corporate governance challenges that arise from the relationship between shareholders (principals) and managers (agents). According to Jensen and Meckling (1976), this relationship involves delegating decision-making authority to managers, which can lead to conflicts of interest since managers might prioritize their own interests over profit maximization for shareholders. As managers have more information about the company, they can manipulate earnings to benefit themselves, potentially at the shareholders' expense (Uwuigbe et al., 2015; Aguguom & Salawu, 2022; Abubakar & Suleiman-Ahmed, 2024). Thus, agency theory helps to explain the motivation behind and consequences of earnings management within this principal-agent relationship.

Signaling theory, developed by Arrow and Spencer, examines how firms use financial information to communicate their performance and prospects to stakeholders (Dainelli et al., 2011; Sampurna & Romawati, 2019). Financial reports act as signals that can shape investment decisions by reflecting a firm's financial health and potential (Uwuigbe et al., 2015; Sampurna & Romawati, 2019). Managers may manipulate earnings to send favourable signals, thereby influencing investor's behaviour and market responses. This theory not only impacts investors but also affects other stakeholders, such as creditors and employees, by shaping their perceptions and decisions based on the reported financial performance (Aguguom & Salawu, 2022; Iredele et al., 2022). It highlights how earnings management can be strategically used to convey a firm's financial status and outlook (Sampurna & Romawati, 2019).

Overall, combining agency theory and signaling theory provides a comprehensive framework for understanding how earnings management affects the value of Nigerian consumer goods firms. These theories shed light on the motivations and consequences of earnings manipulation, including its impact on the organization and stakeholder relations. Earnings management can be seen as both an agency cost and a signaling mechanism. Managers may manipulate earnings to meet targets or obtain bonuses, which can affect financial performance, stock market perceptions, and overall corporate integrity.

3. Methodology

The study adopted a longitudinal panel research design. The population of the study consisted of all twenty-one consumer goods companies listed on the Nigerian Exchange Group (NGX) as at December 31, 2022, detailed in Appendix A. Purposive sampling techniques were employed, guided by specific criteria: companies that had published annual reports spanning from 2013 to 2022 and maintained continuous listing on NGX throughout this period. Following the application of these criteria, five companies were excluded from the initial population of twenty-one: Golden Guinea Breweries, DN Tyre & Rubber Plc, Multi-Trex Integrated Foo/ds Plc, BUA Food Plc, and Union Dicon Salt Plc. These exclusions were due to non-compliance with the established research criteria. Consequently, the study proceeded with the sixteen consumer goods firms that met all criteria, as outlined in Appendix B.

Secondary data for the study were sourced from audited annual financial statements of the sampled consumer goods firms, available on NGX and the companies' respective websites. The dataset spanned a decade (2013-2022), yielding one hundred and sixty firm-years of data. Analysis of the collected data employed descriptive statistics and panel regression techniques, including pooled, fixed effects, and random effects estimations. Post-estimation diagnostic tests were conducted to assess the robustness and efficiency of the estimates.

Variable Definition and their Measurement

The information on how the variables would be measured is presented in table 1 below:

Table 1: Variable Definition and their Measurement

Dependent Variable	**Measurement**	**Source**
Tobin's Q ratio (TQ)	Equity Market Value plus Debt Book Value divided by Total Asset.	As used by Avabruth & Padhi (2021); Darmawan et al., (2019).
Independent Variable	**Measurement**	**Source**
Discretionary Accrual Earnings Management (ADA)	Absolute value of discretionary accruals based on the Modified Jones Model.	As used by Afrizal et al., (2021); Hernawati et al., (2021).
Control Variable	**Measurement**	**Source**
Firm Size (FIRMSIZE)	Log of Company Total Assets.	As used by Agustina & Malau (2023); Abogun, et al., (2021).
Leverage (LEV)	Total debts divided by Debt plus Equity.	As used by Agustina & Malau (2023); Abogun et al., (2021).
Profitability (PROF)	Return on Asset (ROA) = Net Income divided by Total Asset. Where Net Income is the company's total profit after all expenses, taxes and costs have been deducted.	As used by Al-Zahrani (2019); Darmawan et al., (2019); Abubakar & Suleiman-Ahmed, (2024).

Source: compiled by the Researcher (2023).

Model Specification

This study measures earnings management through discretionary accruals using Modified Jones Model. Discretionary accruals are estimated from the following model:

$$TA_{it} / A_{it-1} = a_0 + \beta_1 (1/A_{it-1}) + \beta_2 (\Delta REV_{it} - \Delta REC_{it})/A_{it-1} + \beta_3 (PPE_{it}) / A_{it-1} + \varepsilon_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where:

TA_{it} = Total Accruals of firm i in year t

A_{it-1} = Total Assets in year t-1

a_0 = Constant lag

β_1 β_2 β_3 = Coefficient of the variables

ΔREV_{it} = Change in revenue scaled by lagged total assets

ΔREC_{it} = Change in receivables scaled by lagged total assets

PPE_{it} = Gross property, plant and equipment (fixed assets) scaled by lagged total assets

ε_{it} = error term or stochastic term of firm i at time t

Model (1) shows the Modified Jones Model. This model considers the residual of the regression as discretionary accruals since they are not directly observable (Gomes et al., 2021).

Explicitly, the relationship of the variables would be expressed using the regression model below:

$$TQ = a_0 + \beta 1ADA + \beta 2FIRMSIZE + \beta 3PROF + \beta 4LEV + e \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Where:

TQ = Tobin's Q
a_0 = intercepts
β1 – β4 = Coefficient of the variables
ADA = Absolute values of Discretionary Accruals
FIRMSIZE = Firm size
PROF = Profitability
LEV = Leverage
e = Error term

4. Results and Discussion

This section presents the result of the data obtained from the financial statements of selected consumer goods companies in Nigeria. It will present the findings from descriptive statistics, correlation analysis, diagnostics tests and regression analysis.

Descriptive Statistics

Table 2: Result of Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
TQ	160	2.015	1.707	0.435	9.415
ADA	160	0.089	0.093	0.000	0.841
FIRMSIZE	160	17.479	1.833	12.679	20.012
ROA	160	0.055	0.080	-0.134	0.303
LEVERAGE	160	0.597	0.256	0.101	1.941

Source: STATA 13 output.

Table 2 provides detailed descriptive statistics for both the dependent and independent variables. Specifically, Tobin's Q (TQ) represents the firm value, absolute value of discretionary accruals (ADA) denote earnings management, FIRMSIZE stands for firm size, ROA represents return on assets, and LEV indicates the leverage. Tobin's Q ratio has a mean of 2.02, indicating that the firm's market value is typically about twice their replacement cost. The substantial standard deviation of 1.71 suggests significant variability in investment opportunities across firms, with some companies having significantly higher or lower value than the average. The range (0.43 – 9.42) reflects diverse investor expectations and identifies potential outliers, underscoring varied market valuations among firms. On average, earnings management is 0.09, suggesting firms adjust earnings by approximately 9% to achieve the desired outcomes. The standard deviation of 0.09 indicates notable variability in earnings management practices among firms, with values ranging from 0.00 to 0.84, implying moderate variation.

The average firm size is 17.48, indicating a relatively homogeneous sample in terms of size. However, the range (12.68 – 20.01) reveals considerable size disparities among firms, with some notably larger or smaller than the average.

Return on assets (ROA) averages is 0.06, signifying moderate profitability across firms. However, the return on assets ranges from -0.13 to 0.30, suggesting that some firms are not profitable (negative ROA)

while others are quite profitable. The standard deviation of 0.08 indicates variability in profitability levels among firms.

The average leverage is 0.60, indicating that firms finance, on average, 60% of their assets through debt. The leverage range (0.10 – 1.94) highlights substantial variability in debt dependence among firms. Again, the standard deviation of 0.26 suggests variability in leverage levels across firms.

Table 3: Pairwise Correlation Results

	TQ	ADA	FIRMSIZE	ROA	LEVERAGE
TQ	1.0000				
ADA	0.1003	1.0000			
FIRMSIZE	0.2044*	-0.0801	1.0000		
ROA	0.4780*	-0.0235	0.0842	1.0000	
LEV	0.1711*	-0.0186	0.0274	-0.1607*	1.0000

Source: STATA 13 Output Result based on study data.
The "sig" option uses a significance level of 0.05 by default, while "star (5)" highlights significance with stars (*).

From table 3, Tobin's Q (TQ) shows a moderate positive correlation of 0.4780 with return on assets (ROA), suggesting that firms with higher ROA tend to have higher Tobin's Q ratios, indicating greater market valuation relative to replacement cost. Additionally, Tobin's Q (TQ) exhibits a positive correlation of 0.2044 with firm size (FIRMSIZE), though weaker compared to ROA. Tobin's Q (TQ) also correlates positively with leverage (0.1711), implying firms with higher leverage ratios may have slightly elevated Tobin's Q ratios, although this relationship is less pronounced than with ROA. Absolute value of discretionary accruals (ADA) demonstrates a positive correlation of 0.1003 with Tobin's Q (TQ), suggesting positive relationship between earnings management (ADA) and Tobin's Q. Absolute value of discretionary accruals (ADA) also exhibits a weak negative correlation of -0.0801 with firm size, implying larger firms may engage less in discretionary accruals.

Firm size (FIRMSIZE) positively correlates with Tobin's Q (TQ) at 0.2044, indicating larger firms tend to have higher Tobin's Q ratios. Firm size (FIRMSIZE) shows a weak positive correlation of 0.0842 with ROA, suggesting larger firms may have slightly higher returns on assets. Firm size (FIRMSIZE) also has a very weak positive correlation of 0.0274 with leverage, indicating larger firms may have slightly higher leverage ratios. ROA correlates positively with Tobin's Q (TQ) at 0.4780, indicating firms with higher ROA tend to have higher Tobin's Q ratios. Again, ROA shows a weak negative correlation of -0.1607 with leverage, suggesting firms with higher ROA may tend to have slightly lower leverage ratios. ROA displays weak correlations of -0.0235 with ADA and 0.0842 with FIRMSIZE.

Leverage correlates positively with Tobin's Q (TQ) at 0.1711, suggesting firms with higher leverage ratios may have slightly higher Tobin's Q ratios. Leverage shows a very weak negative correlation of -0.1607 with ROA, indicating firms with higher leverage may have slightly lower ROA. Leverage demonstrates weak correlations of -0.0186 with ADA and 0.0274 with FIRMSIZE.

Regression Diagnostic Tests

To determine the validity of the regression assumptions, the overall fit and robustness of the regression model were assessed through various regression diagnostics tests.

Table 4: Result of Variance Inflation Test

Variable	VIF	1/VIF
ROA	1.04	0.966
LEVERAGE	1.03	0.972
FIRMSIZE	1.01	0.985
ADA	1.01	0.993
Mean VIF	1.02	

Source: STATA 13 Output Results based on study data

The Variance Inflation Factor (VIF) is used to assess collinearity among explanatory variables. High correlations among independent variables, known as multicollinearity, can bias regression results. In our study, the VIFs and reciprocal VIFs (1/VIF) for ROA, leverage, firm size, and ADA are 1.04, 1.03, 1.01, and 1.01, and 0.966, 0.972, 0.985, and 0.993, respectively. According to Myers et al., (1990), VIF values less than 10 and 1/VIF values less than 1 indicate the absence of multicollinearity. Given that all VIFs and 1/VIFs are below these thresholds, our model does not exhibit multicollinearity.

Table 5: Result of Shapiro-Wilk W test for Normal data

Variable	Obs	W	V	z	Prob>z
r	160	0.97260	3.370	2.764	0.00286

Source: STATA 13 Output result based on study data

The Shapiro-Wilk test for normality was conducted on a sample of 160 observations for variable r as presented by table 5. The test produced a W statistic of 0.97260 and a p-value of 0.00286, which is below the common significance level of 0.05. Therefore, we reject the null hypothesis and conclude that the data (variable r) is not normally distributed as indicated by the low p-value. Hence, this result shows that the ordinary least squares (OLS) method may not be suitable for the panel data, indicating a need for further analysis.

Table 6: Heteroscedasticity test for fixed effect regression model

Chi^2	$Prob > chi^2$
2886.49	0.0000

Source: Stata 13 Output Results based on study data

Table 6 presents the results of the Modified Wald test for group-wise heteroscedasticity in the fixed effect regression model. The null hypothesis of the test posits no heteroscedasticity, while the alternative hypothesis suggests heteroscedasticity exists. Based on the results in Table 6, the Chi^2 value is 2886.49 with a corresponding probability value of 0.0000, which is less than 5%. Therefore, the study rejects the null hypothesis and accepts the alternative hypothesis indicating the presence of heteroscedasticity. To address this issue, a panel corrected standard error test was conducted to produce robust standard errors.

Table 7: Cross-sectional independence and Serial Correlation result

Breusch-Pagan LM Test		Pesaran Test of Independence		Auto Correlation / Serial Correlation	
F-test	P-value	F-test	P-value	F-test	P-value
49.28	0.0000	329.029	0.0000	28.207	0.0001

Source: Stata 13 Output result based on study data.

Table 7 presents the results of the Breusch-Pagan LM test and the Wooldridge Autocorrelation test for panel data. The Breusch-Pagan LM test aimed to determine the most appropriate regression model between pooled OLS and random effects by testing for significant differences across firms. The null hypothesis posits no significant differences, while the alternative hypothesis suggests otherwise. The results in Table 7 show a chi² value of 49.28 with a corresponding p-value of 0.0000, leading to the rejection of the null hypothesis. Thus, the study concludes that random effects are more appropriate due to significant differences across firms, indicating bias in OLS estimates. Additionally, the Pesaran test for cross-sectional independence yielded a value of 329.029 with a p-value of 0.0000, indicating a significant cross-sectional dependence issue. This was addressed using a panel corrected standard error test, which provides robust standard errors.

Furthermore, Table 7 also presents the results of the Autocorrelation test. The null hypothesis of this test assumes no serial correlation in the error term. The test yielded an F value of 28.207 with a corresponding p-value of 0.0001, indicating rejection of the null hypothesis. Therefore, the study concludes that first-order autocorrelation is present in the data. To address the issues of heteroscedasticity, cross-sectional dependence, and autocorrelation, the panel corrected standard error (PCSE) robust regression test was employed, as detailed in Table 9.

Table 8: Hausman test

Model	Fixed effect model		Random effect model		Hausman test	
Firm value (TQ)	F-test	P-value	F-test	P-value	F-test	P-value
	25.19	0.0000	81.42	0.0000	21.85	0.0002

Source: Stata 13 Output Results based on study data.

A Hausman specification test was then conducted to determine the preferred model between fixed effect and random effect regression models, assessing whether error terms were correlated with regressors. The results in Table 8 indicate no correlation between error terms and regressors. The Hausman test statistic of 21.85 with a corresponding probability value of 0.0002 is significant at the 5% level, suggesting that the fixed effect regression model is more suitable for the sampled data. However, given the presence of heteroscedasticity, cross-sectional dependence, and autocorrelation errors, a Panel Corrected Standard Error (PCSE) model was applied to address these issues. The interpretation of the PCSE model is provided below.

Regression Result

This section presents the regression result on the impact of earnings management on firm value of listed consumer goods firms in Nigeria.

Table 9: Panel Corrected Standard Error Regression Results

Firm Value (TQ)	Coef.	Std error	Z-value	P-value
Cons	-1.386	1.357	-1.02	0.307
ROA	8.393	1.722	4.87	0.000
LEV	0.776	0.440	1.76	0.078
FIRMSIZE	0.136	0.083	1.64	0.102
ADA	1.934	0.502	3.85	0.000
R-squared	0.484			
Wald chi2(4)	36.11			
Prob > chi2	0.0000			

Source: STATA 13 Output**.**

The Table above presents the results of a panel corrected standard error regression analysis on the impact of discretionary accrual earnings management on the firm value of listed consumer goods companies in Nigeria. The result in table 9 indicate an overall R-squared value of 0.484, a Wald chi-squared value of 36.11 and a significant probability value of 0.0000. This suggests that the model is significant in explaining the variation between the dependent and independent variables in the study. Therefore, the explanatory variables (discretionary accrual earnings management) and control variables (firm size, return on assets and leverage) collectively explain up to 48.40% of the variation in the dependent variable (firm value), as indicated by the overall R-squared value.

Again, Table 9 revealed that discretionary accrual earnings management have significant positive effect on firm value, with a coefficient of 1.934. This suggests that an increase of one-unit in discretionary accrual earnings management is associated with, on average, a 193.4% increase in firm value. The statistical significance emphasized by a z-value of 3.85 and a p-value of 0.000, indicating that higher levels of discretionary accrual earnings management are associated with increased firm value among the sampled firms in Nigeria. This positive coefficient suggests that firms engaging in earnings management practices, such as strategic timing of revenue recognition or deferring expenses, may be viewed more favourably by investors and stakeholders, potentially resulting in higher firm valuations.

Discussion of Findings

The study investigated the impact of discretionary accrual earnings management on firm value of listed consumer goods companies in Nigeria. The regression result revealed that discretionary accrual earnings management have significant positive effect on firm value of consumer goods companies in Nigeria. This means that discretionary accrual earnings management practices lead to an increase in firm value of consumer goods firms in Nigeria. This suggests that when these firms engage in discretionary accrual earnings management such as manipulating financial reports to present a more favourable view of the company's financial position, their market value tends to rise. Besides, the effect of discretionary accrual earnings management on firm value is statistically significant. This implies that the relationship observed in the research is strong and not due to chance. In other words, there is a clear and measurable impact of discretionary accrual earnings management on the value of consumer goods companies in Nigeria. This finding therefore rejects the null hypothesis that claimed discretionary accrual earnings management has

no significant effect on firm value, supporting the alternative hypothesis that posits a significant positive impact of discretionary accrual earnings management on firm value.

This finding is consistent with prior studies by Agustina and Malau (2023), Aguguom and Salawu (2022), Afrizal et al. (2021) and Olatunji and Juwon (2020), who reported a positive significant relationship between accrual-based earnings management and firm value, but in disagreement with Ahmed and Ali (2022), Abogun et al. (2021), Al-Zahrani (2019), Darmawan et al. (2019), Thenmozhi et al. (2019), and Yuniarti et al. (2017) which reported a significant negative impact of discretionary accrual earnings management on firm value. However, the result agrees with both agency theory and signal theory. According to the agency theory, managers may engage in discretionary accrual earnings management to align their interests with those of shareholders, potentially boosting firm value. While signal theory posits that discretionary accrual earnings management can serve as a signal of firm performance and prospects, influencing investor perceptions and consequently firm valuations. Therefore, the observed positive relationship supports the theoretical frameworks suggesting that discretionary accrual earnings management practices can influence firm value positively.

5. Conclusion and Recommendations

The study examined the impact of discretionary accrual earnings management on firm value of listed consumer goods firms in Nigeria from 2013 to 2022. The findings indicated that discretionary accrual earnings management have significant positive effect on firm value of consumer goods companies in Nigeria. Based on the empirical findings it is evident that discretionary accrual earnings management significantly enhances firm value among the sampled firms in Nigeria. This finding underscores the strategic importance of earnings management practices in influencing firm valuations within the Nigerian business environment. They align with theoretical perspectives such as agency theory, which suggests that managers may strategically manage earnings to signal financial health and performance to stakeholders, thereby enhancing firm value. Based on the findings, the following recommendations were made:

Given the significant impact of earnings management on firm value, there is a critical need to enhance monitoring and regulatory oversight. Regulatory bodies should strengthen frameworks to detect and deter excessive or deceptive earnings management practices that could mislead investors and distort market perceptions. Again, consumer goods companies should adopt and strictly adhere to best financial reporting practices to ensure transparency. By providing detailed notes on accounting judgments and estimates in financial statements and regularly review and update disclosure practices to align with current regulations and standards.

On a final note, while discretionary accrual earnings management can potentially enhance firm value, its ethical implications and regulatory challenges necessitate careful consideration and proactive measures by all stakeholders to uphold integrity and trust in financial markets.

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