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Earnings Management and Market Value of Listed Deposit Money Banks in Nigeria

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This paper explores the effectiveness of earnings management (EM) in determining the market value of the Nigerian listed Deposit Money Banks. Out of the fourteen institutions, twelve institutions were sampled to be analyzed, and data was taken out of their annual reports in the year 2014 to 2024. Utilizing the descriptive statistics and panel regression, it became possible to find that accrual EM has an inverse influence on the Tobin Q (t-value = -2.1875, $p < 0.05$), the results indicate that investors are sensitive to earnings manipulation and this in effect reduces the value of firms in the market environment. The conclusion shows that there is an unhealthy relationship between EM practices and market value. In its recommendations, the study suggests that the management and other stakeholders employ the accrual-based EM practices that help to increase the transparency and informativeness of the financial reporting to strengthen the confidence of investors and the overall firm value.

Keywords: Earnings management, market value, panel regression analysis, Deposit Money Banks.

Introduction

A company's market value reflects its efforts to establish public trust across all operations. For a bank, this market value is vital for long-term growth and survival, as it indicates how investors perceive the company's performance. Investor actions, particularly in relation to stock prices, shape the market value of companies (Darmawan et al., 2019). Thus, increasing market value is a primary objective for companies, closely linked to the wealth growth of owners or stockholders. Firm value, as noted by Syamsudin et al. (2017), illustrates the company's worth along with its financial obligations. It's determined by the total market value of outstanding shares, also referred to as market capitalization. Market value serves as a key metric for estimating overall business value (Sudiyatno & Puspitasari, 2010). For investors, a company's worth is critical when deciding whether to invest, driven by the desire for higher returns. The importance of firm value in corporate finance reiterates its importance to growth and sustainability. Identifying the factors which affect the market value is vital to continuation of operations. However, in the banking industry of Nigeria, Deposits money banks are often hiding their financial status by engaging in unethical activities that include EM and poor financial reporting. Under these conditions, companies can adopt the practice of earnings manipulation as a tool towards meeting the set goals, causing serious concerns on the quality of financial reporting. The need to uphold excellent audit quality is more evident than ever before- the need to promote transparency and build confidence on financial systems is much needed among the investors and the economy at large.

Businesses seek to make regular and predictable profits than report conspicuously high profits in a given year and then register huge losses the following year (Ingrid, 2011). This balancing exercise imposes on managers to use accounting judgment to create the

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perception to the stakeholders regarding the financial health of the company, and this is called EM (Ingrid, 2011). However, the main use of audited financial statements consists in offering trustworthy and transparent financial data that need to be relied upon to make sound decisions. Having good, audited reports are essential; it makes the users of the accounting information; investors, financial providers and other stakeholders have confidence in their decisions with respect to credit, investing and allocation of resources.

An analysis of the literature shows that the relation between financial performance and EM has been investigated in different studies, especially in the developing nations like Nigeria. Yet, most of the results of other settings that are not in Nigeria might not be directly relevant to our context (Ahmed et al., 2018; Muhammad, 2019). It is important to note that much effort has been put on the direct relationship between EM and market value, but increased focus has not been placed on the inter-relationship between the two. Firm values are influenced not only by market dynamics but also by various external factors. Most critically, the value of participating companies is often driven by trading volume, demand for shares, share prices, and the level of investor activity in the market.

Asymmetric information concerning market activities in Nigeria has resulted in widespread skepticism and apathy towards the reliability of reported earnings and the performance of companies, ultimately impacting firm value (Ozili, 2020; Akhidime, 2020; Franklin et al., 2022). Despite the acknowledged importance of this issue in existing literature, there appears to be a gap in research, as the author is unaware of any study that has comprehensively examined the relationship between EM and market value within a single framework. Furthermore, there has been no investigation into factor influencing the relationship between market value and EM This gap highlights the need for further exploration in this critical area of study. In contrast, this research will cover an 11-year period from 2014 to 2024, providing a broader context that enriches the existing literature and enables the researcher to draw more comprehensive conclusions.

The study explores the question: What is the effect of (EM) on the market value of Nigerian listed Deposit Money Banks (DMBs)? Its aim is to evaluate how EM influences market value, providing investors with insights into the implications of these practices on firm value. Additionally, investors will gain valuable information about the importance of considering companies' EM strategies when making investment decisions. This study would also assist regulatory authorities in monitoring corporate performance, enabling them to benchmark against established standards.

Literature Review

Conceptual Review

Earnings Management

The primary goal of profit-oriented businesses is to maximize the profits (Beyer et al., 2018). Earnings are considered to be the ultimate indicator of the financial success of the firm every annum. A vast number of both internal and external stakeholders make

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significant dependence on these data in evaluating the financial performance, which makes it one of the key elements of the overall corporate achievement. Being at the centre of informing the audience about the fiscal well-being of a company, as Beyer et al. (2018) note, financial reporting serves as a key channel through which the management can share important information about the operations with the stakeholders.

The theory of earnings management (EM) has been a product of the need to reconcile the relevance and accuracy of financial reporting. Empirical evidence suggests that highly relevant financial reports emphasize on the present value of the expected future cash flows, but highly dependable financial reports reflect actualized cash flow. Such duality allows financial statements to be a true reflection of changes in the financial state and performance of a company. It is with this that managers are bestowed with the freedom to choose estimates and reporting methods that best fit the economic reality of the firm, which is not only associated with enhanced quality of financial reporting but also has a possibility of providing a means of strategic manipulation of earnings (Beyer et al., 2018).

The aspects of managerial judgment are inherent in the financial reporting since accounting standards demand a delicate balance between relevance and reliability (Daniel et al., 2018). EM is characterized in a myriad of definitions, which depict the discretionary use of discretion in the financial reporting. Historically, it implied the intentional change of the external financial reporting process in order to gain personal benefits. When the management would like to manipulate profit numbers, they can manipulate the accounting processes in a certain manner, basically manipulating the outcomes to align with their goals (Daniel et al., 2018). EM is commonly used as a metric of earnings quality in the body of financial accounting literature. When the incidence of EM is high, it is usually a pointer of poor earnings and more transparency and accuracy which are most desired. It is possible to discuss this practice in terms of opportunistic and informative behaviour. Yekira and Okeoma (2018) argue that the rationale of EM is to add value to financial reporting and usefulness of financial statement data. In opportunistic perspective, managers can be self-serving and can end up reducing the total value through their actions and decisions.

The increasing international attention to the topic of EM practices, especially in the wake of the high-profile scandals like the Enron in the United States and other acts of accounting malpractices in Nigeria, also preconditions the urgency of the strict examination of the given sphere. The failure of institutions like Afrikbank Plc, Intercontinental Bank Plc, Bank PHB and Oceanic Bank Plc would highlight the nature of the high vulnerability that our financial systems exhibit. With the continued exposure of the wrongdoings committed by bank officials and board directors in the deposit money institutions in Nigeria, the credibility of financial statements issued by trained professional accountants is brought into doubt (Yekira and Okeoma, 2018). This is essential to

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ensure stakeholders and trust in the financial system are maintained. Although there have been concerted efforts in the last 10 years to improve transparency and strengthen confidence in the financial reporting process, most Nigerian companies still use the EM strategies to tilt their financial performance. This is particularly alarming, since some of the techniques, though strictly speaking being within the bounds of the law and accounting procedures, can still create an illusion and misguide the stakeholders. The popularity of the EM methods in deposit money institutions is a sobering lesson in itself-the methods are able to mislead the investors and create a false impression of financial health. Since it is a fine line between acceptable accounting compensation and unethical manipulation, the likelihood of providing a biased and misrepresentative image of the financial health of their institutions is an implication on the system. It is thus imperative that we tackle these problems head-on to strengthen the ethics norms and protect the health of our financial environment.

EM includes strategies like the use of accounting discretion and the creation of legitimate transactions to alter the data on financial statements. An example that demonstrates the skewed results on account of accounting judgment is the rearrangement of depreciation tools to preserve loan agreement ratios. Essentially, EM involves falsifying financial data to misrepresent a company's performance and financial status. This practice exploits accounting loopholes to manipulate records, potentially misleading shareholders and influencing contracts reliant on financial figures (Adepimbe et al., 2018). Research has shown that earnings manipulation, often executed through creative accounting and income smoothing, serves to enhance managers' compensation and shareholder value (Peterson & Arun, 2018). Terms like income smoothing, financial statement manipulation, and creative accounting are often associated with EM. When managers distort accounting figures to portray inflated profitability, it becomes known as profitability management (Wael & Mukdad, 2019). This manipulation lowers the quality of earnings and questions the reliability of financial reports, ultimately privileging managerial interests over those of stakeholders (Dechow & Schrand, 2010; Al-Azeez et al., 2019)

Accrual EM

Accruals are a vital part of a business's financial operations, reflecting the difference between cash flows and earnings. For example, when a business makes a credit sale, it recognizes the revenue even if cash hasn't been received, creating a receivable that will be cancelled upon payment. Management has some flexibility in using financial information, allowing them to influence accruals by deferring income recognition or bundling expenses. This accruals-based EM lets managers adjust reported results without affecting cash flow directly. Businesses may choose to enhance current earnings by recognizing anticipated future profits, such as by accelerating sales or delaying expenses (Yekira & Okeoma, 2018). However, it's important to remember that the natural reversal of accruals will eventually deduct any

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carried-over profits, highlighting the need for responsible accounting practices.

Audit Fee

This referred to as audit fees, these payments reflect the value auditors bring to businesses and clients alike. Research indicates that the calibre of service auditors provide is closely tied to the compensation they receive, emphasizing the importance of adequate remuneration to ensure high-quality audits. As outlined by Momodu et al. (2019), an audit firm′s fee is fundamentally linked to the income it earns for performing audits. Moreover, Sari et al. (2019) highlight that ″the audit fee is contingent on factors such as assignment risk, service complexity, the expertise required, and various other relevant considerations.″ Fluctuations in audit fees arise from critical factors, including a company's size, the intricacies of audit issues connected to its financial statements, and evolving regulatory and accounting standards since the last audit. The evidence strongly suggests a favourable connection between increased audit fees and enhanced audit quality.

Firm Size

Fixed asset logarithms are used to define the variable ″size.″ It has been suggested that greater size results in synergies and economies of scale, which directly improve performance. Additionally, increasing market strength and vertical integration help to lower production, distribution, and other expenses (Kühnhausen & Stieber, 2014). However, the incremental benefits of scale tend to wane as a business grows, which could lead to a slower rate of growth. This situation implies that while scale might an inversely affect value and growth, it can also favourablely affect profitability and risk.

Market Value

Firm value is a concept designed to more accurately reflect the true worth of businesses while considering market value. This notion encapsulates a firm′s worth after accounting for cash, cash equivalents, and financial debts. Essentially, a company′s firm value is determined by its market capitalization, which represents the total value of its outstanding market shares. This value reflects investors' perceptions of a company's performance and potential (Darmawan et al. 2019). Firm value is closely tied to the company′s share price, representing an essential indicator for investors. To quantify this connection, Tobin′s Q is calculated by dividing the total assets by the combined market value of equity and the book value of both long-term and short-term debt. This calculation serves as a key metric to evaluate the relative valuation of a firm, offering insights into its financial health and market standing

Theoretical Framework

In this study, Positive Accounting Theory serves as the theoretical framework, rooted in the ″rational economic person″ assumption, which suggests that individuals act in their self-interest as rational wealth maximizers. According to Scott (2003), the

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theory aims to provide accurate predictions for real-world accounting events. Its relevance lies in explaining why managers engage in EM, thereby illuminating the connection between firm value and EM. The hypothesis posits that managers manipulate earnings to protect their reputations, which in turn impacts the market value of their firms

Empirical Review

The article by Otolu et al. (2019) is a critical assessment of quoted manufacturing firms that exist in the Nigerian Stock Exchange (NSE) between 2007 and 2016, which examined the complex correlation between (EM) and corporate performance. The researchers mixed both the secondary and annual reports of the specific companies by carefully chosen sample of 56 firms in which data related to this research were available at all times during the research period. Their analysis was also comprehensive to include both descriptive and inferential statistics, such as multiple regression analysis and correlation analysis to arrive at substantive results. Remarkably, it was found that both accrual-based and profit-based EM have concomitant effects on the inventory turnover (IT) that turned out to be the only performance indicator that was affected substantially.

China et al. (2019) used a fixed-effects panel regression model to question the role of surplus cash in EM and firm value in an otherwise complementary study. Using the Francis (1998) model to measure EM and Tobin as a performance proxy, they strongly supported the pecking -order theory and showed that further fiscal surpluses increase the market value of a firm. However, at the evaluation of the effectiveness of EM, the research has demonstrated a disturbing pattern: the earnings manipulation was related to a decrease in the firm value in the Chinese environment.

Additionally, to the academic narrative, Abbas and Ayub (2019) investigated the impact of EM on the valuation of non-financial companies listed in Pakistan in the period between 2003 and 2017. Their study shed some light on a major relationship between firm-value characteristics and accrual-based and real earnings management, which showed that the real EM has a relatively less pronounced impact on Pakistani businesses compared to the accrual-based managerial practice.

In a similar fashion, Olaoye and Akinleye (2020) have examined a nexus between firm value and EM among ten manufacturing firms in Nigeria between the years 2008 and 2017. They determined that the abnormal discretionary accrual earnings (ADA) is favourably correlated with the outcome of equity (ROE) through a variety of analytical techniques.

Lastly, Afrizal et al. (2021) examined the impact of EM on firm value, considering corporate governance as a moderating factor. Their findings revealed that corporate governance effectively mitigates the favourable effects of EM on firm value, underscoring its importance in promoting financial integrity and maximizing stakeholder value

In the same manner, a strict study regarding the performance measures of listed

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companies was carried out by Abraham et al. (2021), who measured accrual and actual EM (EM). Their article that analyzed 14 non-financial companies during the period of 2008-2019 used strong panel analysis and descriptive statistics to achieve substantial results. The information showed that these companies successfully used both accrual and real EM approaches, and thus assumed a proactive position of improving operational effectiveness. Importantly, the researchers discovered that there was a favourable relationship between successful EM practices and firm success in general. They strongly supported regulatory structures to ensure transparency, to curb managerial excesses, and as a measure to develop a more robust and dependable financial landscape they strongly supported clear financial disclosure regulatory structures.

The article by Salome et al. (2021) is a brilliant examination of how accrual-based EM influences the financial performance of manufacturing firms in Nigeria. Based on the findings of the study, the authors used an ordinary least squares (OLS) to assess their results based on the data of thirty-four (34) manufacturing companies listed on the Nigerian Exchange (NGX) during 2005-2019. The findings indicated a an inverse and statistically substantial relationship of net profit margin and discretionary accruals. Furthermore, discretionary accruals and earnings per share were found to have a small favourable relationship.

Another important study that was carried out by Ahmed and Ali (2022) analyzed the impact of EM on the value of the oil and gas publicly-traded firms in Nigeria during 13 years between 2008 and 2020. The authors utilized both random and fixed-effect of regression, with panel data model based on secondary data based on annual reports and accounts of these companies. Their findings showed that EM has a an inverse and substantially an inverse effect on the value of firms.

The article by Folajimi et al. (2023) examines the complex correlation between corporate fraud and earnings manipulation (EM) with firm value, using the Beneish M-Score manipulation and probability index as the diagnostic measures to identify said phenomena as inputs to the Tobin Q, which is a commonly recognized proxy of firm value. The paper set out to explain how corporate fraud and EM affect firm value, and also explain the typology of corporate fraud, stakeholder issues and how these fraudulent practices are harmful. Through descriptive statistics and inferential analysis, the authors were able to show that the leverage index, sales growth and sales and administrative expenses were among the variables that had favourable impacts on corporate fraud and EM in the sampled consumer goods manufacturing firms listed in Nigeria. On the other hand, there were an inverse and insubstantial impacts of indices that related to gross margin, depreciation and total accruals. Conversely, the associations with indices like the day sales trade receivables index, asset quality index, leverage index and the sales growth quality index were favourable . It is important to note that the results indicated that the two joint attributes of corporate fraud and EM

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materially increased the Tobins Q, which substantiated its legitimacy as a firm value indicator.

Additionally, the detailed study by Ibobo and Oxbodo (2023) of manufacturing companies in Nigeria listed on the stock market in the period of 20122021 highlights the extensive effects of earnings manipulation on the financial performance. The research based on panel data about 21 manufacturing companies and took advantage of rigorous scrutiny of the impact of discretionary accruals on key performance indicators such as net profit margin, earnings per share, return on equity, and return on assets to achieve a meticulous ex-post facto research design. The findings are convincing: discretionary accruals have a strong and favourable impact on the financial performance measures. At the significance level of 5 percent, the results are favourable to indicate that earnings manipulation is a great factor behind the financial success of these companies. In light of the evidence, the authors urged stakeholders to establish comprehensive policies aimed at optimizing revenue and expense management, thereby bolstering the financial health and operational performance of these businesses.

Methodology

The current research takes the ex-post facto research method, which is suitable in studies that utilize secondary data. The sample has thirteen listed Deposit Money Banks (DMBs) on the Nigerian Exchange Group (NGX), which were sampled on purpose to cover the years 2014-2024. The secondary sources were used to collect data, which was analyzed using both descriptive statistics and panel regressions.

Measurement of Variables

Tobin's Q is the sum of the market value of firm's stock and the book value of debt divided by the book value of its total assets.

Accrual EM Accrual is the term used to describe the difference between net income and real cash flow from operational activities. Discretionary Accrual (DAC) was used in this study to measure AEM. The degree to which working capital accruals and cash flow realizations align is the basis for the DAC. model; low accruals quality is indicated by a bad match. As a result, we modify WC accruals to account for operating cash flows from the past, present, and future: Discretionary Accrual (DAC)

〖TCA〗_it=δ_0+δ_1 〖CFO〗_(it-1)+δ_2 〖CFO〗_(it-1)+δ_3 〖CFO〗_(it+1)+δ_4 〖ΔREV〗_it + 〖PPE〗_it+ω_itwhere: 〖TCA〗_it=(〖ΔCA〗_it- 〖ΔCash〗_it)- 〖(ΔCL〗_it- 〖ΔSTDBET〗_it). This is supported by previous studies (Salome et al., 2021, Olaoye and Akinleye , 2020)

Firm Sze: natural logarithm of total assets.

Firm Age: The number of years since the firm is listed on the Nigeria Exchange

Model Specification

The econometric model was modified from the earlier related study (Olotu et al., 2019) to measure the connection between dependent and independent variables

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〖TOBQ〗_it=σ_0+σ_1 〖AEM〗_it+ σ_2 〖AUDF〗_it+ σ_3 〖FIS〗_it+σ_4 〖FAG〗_it+ ε_it 3.1

Where;

σ_0,λ0, and 〖 δ〗_(0 ,) are intercepts,

σ 1- σ 4 are estimated coefficients for model 1

TOBQ = Tobins q

AEM= Accrual EM

AUDF= Audit fees

FIS= Firm Size

FAG= Firm Age

ε = Error terms

i = firm

t = time

4.0 Results and Discussion

Descriptive Statistics

Table 1. Descriptive Statistics of Variables

	TOBQ	AEM	AUDF	FSI	FAG
Mean	1.0085	0.0579	19.3498	27.9798	25.6667
Median	0.9480	0.0254	19.3032	27.9551	22.0000
Maximum	3.0530	0.6655	20.8887	29.7920	50.0000
Minimum	0.2320	7.62E0	17.9899	25.6282	5.0000
Std. Dev.	0.2690	0.0887	0.7558	0.9382	14.4558
Skewness	4.7596	3.5846	0.0907	-0.1436	0.3199
Kurtosis	33.414	20.4469	2.0196	2.3494	1.6316
Jarque-Bera	5585.984	1956.879	5.4676	2.7813	12.5507
Probability	0.0000	0.0000	0.0649	0.2489	0.0019
Sum	133.133	7.6480	2554.170	3693.327	3388.000
Sum Sq. Dev.	9.4802	1.0308	74.8376	115.3154	27375.33
Observations	132	132	132	132	132

Source: Authors' Computation, 2026

The results of the summary statistics are presented in Table 1 revealed that the mean tobins q of Nigeria listed DMBs over the period of the study is found to be 1.0085 with a sd of 0.2690 implying no wide variation in the tobins q of DMBs. The implication is that the DMBs in Nigeria do not pose similar Tobins q. The estimated mean accrual EM of the sampled banks is found to be 0.057 with a sd of 0.088 which is greater than the mean value. By implication, there is wide variation in the absolute discretionary accrual of the sampled banks. In addition, the study found the mean audit fees of the sampled DMBs to be 19.3498 with a sd of 0.4829 which suggest no wide variation in the audit fees paid to the audit firm by the listed DMBs in Nigeria.

Equally, the estimated mean firm size of the study is 27.9798 with a corresponding sd of 0.9382 which suggests no wide variation in the size of the listed Nigeria DMBs . By implication, Nigeria listed DMBs are nearly equal in size which may be attributed to the consolidation of the banks in the country where they are required to meet minimum capital base. The estimated mean age of Nigerian listed DMBs is 25 years with minimum and maximum 5 and 50 years respectively.

Correlation Analysis

Table 2 Correlation Matrix

	TOBQ	AEM	AUDF	FSI	FAG
TOBQ	1.0000				
AEM	-0.1141	1.0000			
AUDF	-0.2468	-0.2128	1.0000		
FSI	-0.2951	-0.2015	0.5027	1.0000	
FAG	0.1819	0.0015	0.0203	0.1041	1.0000

Source: Author's Computation, 2024

Table 2 shows the estimated correlation coefficients between the variables. The correlation analysis shows that accrual EM (AEM) and Tobin have a favourable relationship with an estimated value of -0.1141. The company size has a correlation coefficient of -0.2951 with the Tobin Q meaning that the larger the bank, the higher is the value of its market. Lastly, the correlation coefficient of -0.2468 is used to indicate an inverse

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relationship between audit fees and the Tobin Q, an age of the banks has a favourable relationship with the Tobin Q with the estimated value of 0.1819.

Table 3: Variance Inflation Factors

Variance Inflation Factors VIF			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.4474	954.2897	NA
AEM	0.0629	1.4986	1.0481
AUDF	0.0046	3700.088	5.5943
FSI	0.0030	5049.375	5.6283
FAG	2.3601	4.3513	1.0419

Source: Author's Computation, 2026

Table 3 provides a summary of the (VIF) for multicollinearity, including the mean and greatest VIF for each model. According to the findings, model 1's mean recorded the highest VIF of 5.6283. The maximum VIF for the second model was 5.8792. Additionally, Model 3 recorded the highest VIF of 5.8956. The study's whole model was free of the multicollinearity issue because none of the models' highest or mean VIF came near the 10-point threshold. This indicates that there were no problems with multicollinearity among the dependent variables that were employed in the research.

Table 4 Serial Correlation and Heteroskedasticity Results

Model	Type of Test	F Value	P Value	Remarks
	Heteroskedasticity Breusch-Pagan	3.1398	0.0168	Presence of Heteroskedasticity
	Breusch-Godfrey Serial Correlation LM Test	17.3062	0.0000	Existence of first order serial correlation

Source: Authors' Computation, 2026

The study also tested for serial correlation and heteroscedasticity among the variables. As summarized in Table 4.4, the results of the Breusch-Godfrey Serial Correlation LM Tests showed that the three models had serial correlation problems with respective p values of 0.000, in model 1 to 3. The results of the Breusch-Pagan test p value less than 0.05 indicated that the models had a heteroscedasticity problem. The assertions of no heteroscedasticity and serial correlation were adjusted for by obtaining results with robust standard error.

Table 5. Panel Regression Results

Variables	Pooled Effect	Random Effect	Fixed Effect
C	3.8425**	3.8338**	10.3328**
	(5.7451)	(4.1619)	(5.0111)
AEM	-0.1884	-0.3174	-0.5488**
	(-0.7484)	(-1.3146)	(-2.1875)
AUDFS	0.0596	0.0424	-0.0737
	(0.8766)	(0.5759)	(-0.8689)
FSI	-0.1453**	-0.1352**	-0.3292**
	(-2.6446)	(-2.1290)	(-3.6499)
FAGE	0.0043**	0.00601**	0.0516**
	(2.8079)	(2.2225)	(4.2506)
R^2	0.171	0.084	0.439
F-stat	6.5505 (0.000)	2.9154 (0.024)	6.0653 (0.000)
Durbin-Watson	1.13	1.35	1.78
Hausman Test			16.68619(0.0022)
Breusch-Pagan Test			51.672631 (0.000)

t- stat. values ( ), P<0.05**, P<0.01***

Source: Authors' Compilation (2026)

As can be seen by Table 5, the fixed-effects specification provides the most credible estimation of the models in question, with Hausman test p-value of 0.0000 and Breusch-Pagan test p-value of 0.000, respectively, confirming this point. These results confirm the validity of the selected specification choice, as the Hausman statistic is substantially lower than the standard significance level of 0.05. The F -statistic of 6.0653 means that the model is statistically relevant at 5 per cent, which highlights the

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impact of accrual-based earnings manipulation and the control variables considered on the market of Nigerian banks. The selected regressors explain around 44 per cent of the variability in the financial reporting quality, but the rest (54 per cent) can be explained by a stochastic error. Durbin-Watson of 1.78 indicates the lack of serial correlation hence the importance of all predictor variables in Q of Tobin, T O B Q.

Notably, the analysis reveals a statistically substantial an inverse relationship between the accrual EM and the T OBQ (t -2.1875, p -0.05). This observation suggests that aggressive earnings manipulation has an inverse effect on the reputation of a bank that may lead to loss of customer confidence, retention and subsequently loss of market value. The coefficient of audit fees is relatively low (t = -0.8689, p > 0.05), meaning that the effects of audit fees are not statistically substantial on T O B Q. On the other hand, age has a high favourable correlation with T O B Q of a firm (t=4.2506, p= 0.00) where older banks are likely to have high market values. On the other hand, the favourable correlation with firm size exists between firm size and EM (t = -3.6499, p = <.05), which means that bigger banks can have difficulties with effective utilization of economies of scale.

Overall, it is possible to note that the empirical data highlights the importance of banks reconsidering their EM policies and efficiency of operations to improve the performance of the markets.

Discussion of Findings

The panel regression analysis revealed a substantial inverse relationship between accrual EM (EM) and the market value of Nigerian listed Deposit Money Banks (DMBs). This suggests that accrual EM is a crucial factor influencing their market valuation. This finding is consistent with Ahmed and Ali (2022), who noted a substantial an inverse effect of accrual EM on firm value, indicating that investors recognize earnings manipulation and consequently reduce the firm's value. Similarly, China et al. (2019) found that EM harmed firm value in China, supporting the efficient EM perspective. However, this contrasts with Folajimi et al. (2023), who reported a favourable effect of EM on Tobin's Q. Additionally, Abbas and Ayub (2019) found that accrual EM had a more substantial impact on Pakistani firms compared to real earnings manipulation.

Conclusion And Recommendations

The research decided that the lesser the utilization of the real EM (EM) in the Nigerian banking sector, the lesser the value of the banks in the market. The conclusions given in this section are purely based on findings made in this experiment. Since the results show that there is a substantial an inverse relationship between accrual EM and market value of firms under analysis, the research recommends that management and other stakeholders should take advantage of accrual EM to make accounting numbers that are reported more informative.

This research adds to the current controversy covering the question of desirability of EM among corporate

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organizations. Particularly, the results present new information on the outcomes of EM. Theoretically, the research educates the signalling theory by demonstrating that real EM is utilized by the management as a means of signalling an optimistic standing to the external stakeholders.

In addition, the research has enhanced the empirical literature on the association between EM and market value through the measurement of moderating role of audit quality offered by the Big Four auditors. The research revealed that there are several limitations that can be used in future studies. To begin with, the sample size consists of listed DMBs only; it would be better to use a larger sample that would include other banks, insurance companies and investment organizations in the financial sector to make the findings more robust.

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