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Financial Reporting Quality and Shareholders Wealth Maximization of Listed Manufacturing Companies in Nigeria

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ABSTRACT: This study examined financial reporting quality and shareholders wealth maximization of listed consumer goods manufacturing companies in Nigeria, from 2011 to 2020. Ten consumer goods manufacturing firms quoted on the Nigeria Stock Exchange were used. Financial reporting quality was measured by discretionary accruals, earnings persistence and earnings smoothening), while shareholders' wealth maximization was measured by the return on equity. Ordinary Least Square (OLS) regression estimation technique was used with the aid of E-views 9 statistical software. The study found that earnings persistence has a significant and positive impact on shareholders' wealth maximization in listed consumer good firms in Nigeria while discretionary accruals, earnings smoothing and earnings volatility have negative and significant impact on shareholders' wealth maximization in listed consumer firms in Nigeria. The study concludes that financial reporting quality has a significant impact on shareholders wealth maximization of listed consumer goods manufacturing companies in Nigeria. The study recommends that consumer goods manufacturing firms in Nigeria should maintain competence in managing shareholders' equity in order to ensure robust returns
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I. BACKGROUND OF THE STUDY

Investors commit funds into investments in order to get good returns at the end of a period. Sanyaolu, Onifade and Ajulo (2017) posit that the reward investors receive for the resources they invest in a company is mainly dividend which is a function of earnings of the company. Sanyaolu and Job-Olatunji (2017) have indicated that the maximization of shareholders' wealth represents the level of profitability, managerial resource utilization competence and value creation of a firm. In the same vein, a company's financial statement is a means of providing information and enlightening the shareholders about the financial position, performance and cash flow of the firm. The financial statements are a paramount enabling instrument for shareholders investment decisions.

Appolos and Ademola (2020), Asia and Ratan, (2019), and Arowosegbe and Emeni (2016) believe that shareholders' wealth maximization is a profitability index, a good measure and a valuable widely used matrix for Shareholders' wealth maximization of firms with large earnings. Habib and Jiang (2016) assert that shareholders' wealth maximization is one of the most important variable to measure the performance of a business, as investors make investment decisions based on the expectation that management would create value for the investors predicated on the accuracy of Shareholders' wealth maximization predictions and as market forecast determinant.

Appolos and Ademola (2020) also argue that shareholders are always at the losing end due to dishonesty and unethical practices, accounting maneuvers with deceitful intentions and accounting fraud through the exploitation of the managers' privileged positions, which negate shareholder wealth maximization goals. Typical of the cases of corporate scandals are Xerox for improper accounting and deviation from accounting principles; WorldCom for leveraging of shares to raise debt for expansive acquisition; Enron and Arthur Anderson for lack of transparency and premeditated projection of healthy picture of performance; and Tyco for aggressive acquisition strategies and accounting frauds.

Sanyaolu and Job-Olatunji (2017) admit that financial statements are subject to independent examination by appointed auditor so as to confirm whether the statement of financial performance and statement of financial position for the period show the true image of the reporting firm. The essence of the auditing process and other institutional settings

such as internal control and corporate governance is to ensure that financial statement maintains high quality measured relevance, reliability, comparability, understandability, accuracy and completeness,

Despite the appointment of auditors and the existence of institutions of internal control and corporate governance, the financial statement of some companies continue to be vulnerable to residual financial misstatement leading to several collapses of firms over time. Resting on this backdrop, this study focuses on financial reporting quality as an antidote for earnings misstatement and shareholders wealth mismanagement of companies listed in the manufacturing sectors in Nigeria. It is directed at examining the effect of the quality of financial reporting as an aid to shareholders' wealth maximization of companies in Nigeria.

The study is motivated by the need for critical strategic planning, transparent financial reporting, and optimal resource management in order to ensure critical control over any form of discretionary accrual manipulation and earnings smoothing activities. This need is accentuated by a necessity to avoid any form of volatility in earnings, guarantee earnings persistence of companies in Nigeria, and ensure optimum robust returns on shareholders' investment.

1.1 Statement of the Problem

The issue of whether there is any linkage between Financial Reporting Quality (FRQ) and Shareholders' Wealth Maximization appears to be a subject of much debate for some time. The outcome of several various deliberations has been characterized by contradictions.

Many of the prior empirical studies conclude that there is a positive association between financial reporting quality and shareholders wealth maximization (Adetula, Owolabi & Onyinye, 2016; Hassan, 2016; Bamidele, Ibrahim & Omole, 2018). Several other studies admit negative association between financial reporting quality and shareholders' wealth maximization (Chao-Jung, 2016; Patro& Gupta, 2016). Further still, some studies have reported neutral and non-significant results (Duarte & Azevedo, 2016) while yet many show mixed relationships (Fariba & Mehran, 2016; Taouab, Ahsina & Daghi, 2016).

The reason behind these contradictions could be explained by the inconsistenciesin the construct of the measurement aimed at capturing financial reporting quality and shareholders wealth maximization (Callan & Thomas, 2019). These contradictions and mixed analytical reports therefore necessitated the need for this study.

The main objective of this study is to examine the relationship between financial reporting quality and shareholders wealth maximization of listed manufacturing companies in Nigeria. The study was set out to ascertain the extent to which discretionary accruals affect shareholders wealth maximization in Nigeria manufacturing firms; examine the relationship of earnings persistence to shareholders wealth maximization in Nigeria manufacturing firms; determine the association between earnings smoothing and shareholders wealth maximization in Nigeria manufacturing firms; and investigate whether earnings volatility significantly affects shareholders wealth maximization in Nigeria manufacturing firms.

II. REVIEW OF RELATED LITERATURE

2.1.1 The Concept of Financial Reporting

Appolos and Ademola (2020) presented financial reporting as one of the means to measure and reflect an organisation's financial and operating performance and Shareholders' wealth optimization. Financial reporting quality is defined in terms of its relevance to users of the financial information, the extent to which such information are faithfully represented, and the extent to which the statement capture the economic reality of transactions and other events during the reporting period. Thus, financial reporting quality pertains to the quality of information conveyed in financial reports and other relevant disclosures.

Penman (2016) posits that financial reporting is defined in terms of quality of earnings, that is, the degree to which reported earnings reflect economic reality. Penman (2016) had it that high quality earnings are the earnings that contain a good indicator for future earnings, with regard to the current performance of the company. In other words, quality of earnings currently reported should be so credible that an investor could rely on it as a good predictor of future earnings. Hassan and Ahmed (2016) opined that reliable and effective information from reported financial statements motivates interested and potential investors in placing confidence in making investment decisions.

Kamilah and Zabri (2016) define financial reporting as the process of presenting business financial statements in the form of a financial report for both internal and external parties related to the company. The main objective of financial reporting is to provide information concerning business entity, primarily financial in nature, and useful for economic decision-making (Yurisandi & Puspitasari, 2016). IASB conceptual framework presents some fundamental qualitative characteristics of a quality financial report to include relevance, faithful representation, understandability, comparability, etc.

2.2.2 The Concept of Shareholder Wealth Maximization

The Shareholder's wealth maximization measures the amount of profit for the period available to the owners as the residual returns resulting from the operational activities during the period. The work of Kapellas and Siougle, (2017)measured the performance of expected returns due to the equity providers of fund using shareholder's wealth maximization. Liu and Sun (2017) also opined that shareholder's wealth maximization is a suitable performance evaluation surrogate used to ascertain the productiveness of firm's corporate managers and a good parameter to measure the amount of return on ordinary shareholder's investment based on current period's performance (Fayed & Dubey, 2016).

2.1.3 Concept of Earnings Smoothing:

Earnings smoothing had been considered differently. The study of Zhai and Wang (2016) as cited in Theophilus and Ademola (2020) defined earning smoothing as the technique used by company managers to induce a change in the reported amount of income by means of artificial or real earnings management so that it can reach a desired income level. Some certain motivations are behind income smoothing like managers increasing performance by income smoothing; companies that are interested in satisfying their financial desires by selling shares will engage in income smoothing; hence, the income fluctuation leading to manipulation in share is likely to discourage investors, and for tax purposes a company might pay less income tax based on lowered reported earnings. Earnings smoothing signifies the unpredictability of earnings compared to the predictability of cash flows, (Aguguom, Salawu, & Akintoye, 2018).

The study of Graham, Harvey, Rajgopal and Qiu (2016) stated that the availability of inconsistent positions with regards to smoothingcould be presented as a desirable feature of stability; while on the other side, could as well be seen as an opportunity and a misleading attitude. Bao and Bao (2016) show that there are two types of income smoothing: natural smoothing resulting from genuine income-generating process devoid of manipulations by the managers, and the real (intentional) smoothing.

2.1.4 Earnings Persistence:

Earnings persistence describes a situation in which the earnings of a firm are devoid of manipulations or earnings management whether through discretionary accruals or cash flow manipulations. Earnings persistence is therefore useful to analysts and shareholders for the prediction of the future performance of companies. However, Prawat, (2016) has posited that one of the weaknesses of earnings persistence is its possible manipulation by company management.

In addition to the persistence of earnings (devoid of manipulations), non-discretionary accrual has been adjudged a factor possessing the capacity to positively influence financial reporting quality of firms (Klein, 2016). However, the probable management opportunistic tendencies could affect and undermine effective earnings and financial reporting quality of firms (Liao & Hsu, 2016).

Financial Reporting Quality Attributes

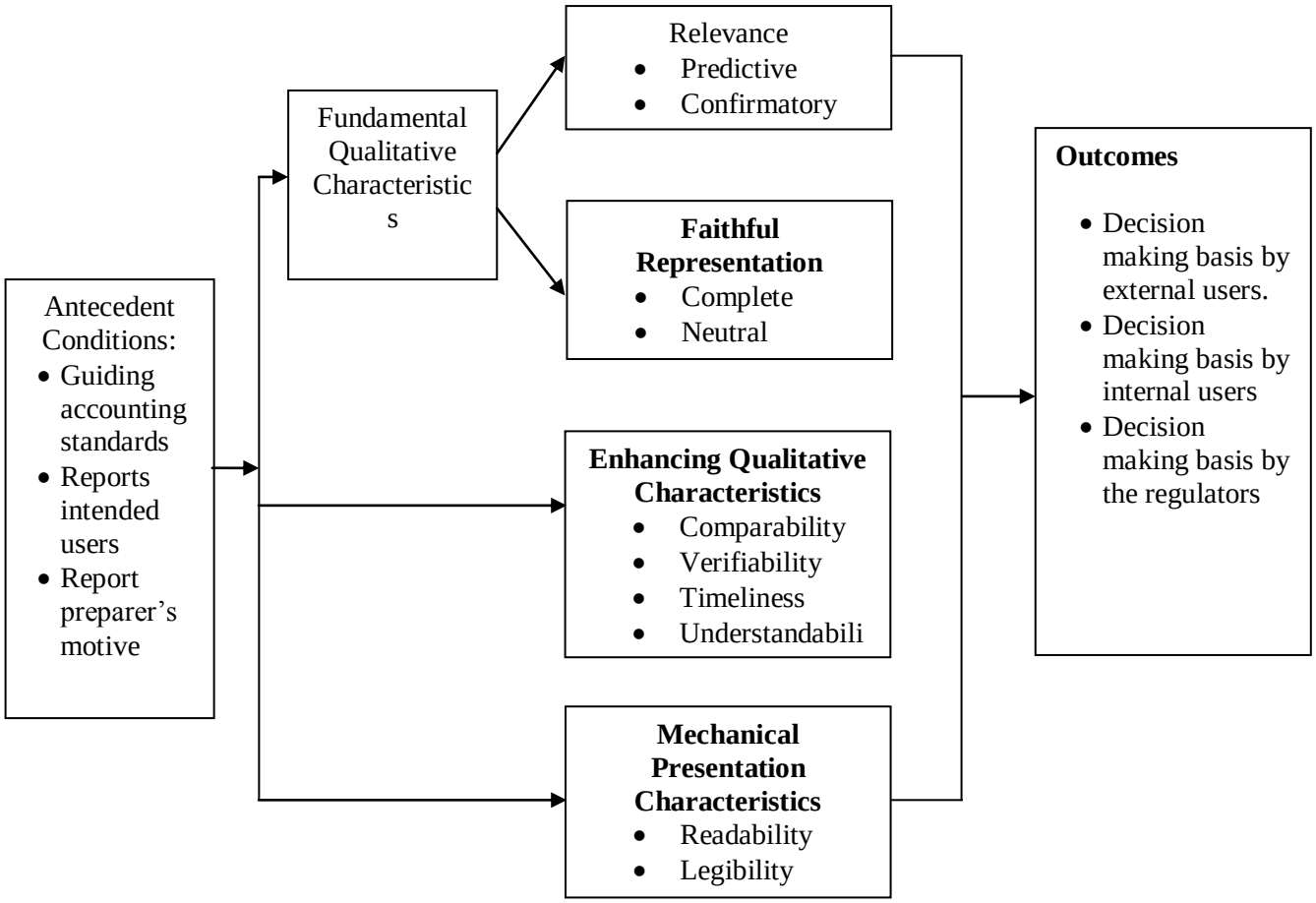

Figure 1: **Conceptual Framework for Quality Financial Reports**
Source: Prawat, (2016).

2.2 Theoretical Review

Agency theory and Stakeholders' theory are used to anchor the perception and explain idea behind the study. The concept of agency theory was put forward by Berle and Means (1932) as popularized by Jensen and Meckling (1976) who argued that the rise of large corporations resulted in increased dilution of equity ownership and the separation of ownership and control. The theory is applied in this study in accordance with Appolos and Ademola (2020), who showed that the agency scenario offers room for opportunistic behaviours by the agents (managers) to suppress and compromise the interest of shareholders for their personal interests. Jenson and Meckling cited in Appolos and Ademola (2020) indicate tendency to address the conflicts that exist between owners of companies and their managers. The theory argues that the board of directors is saddled with the responsibility of monitoring the managers' action so that the stakeholders are not deceived by the accounting information or disclosures presented in the financial statements.

The stakeholders' theory looks beyond the issue and interest of shareholders and managers by also considering other interest groups. Appolos and Ademola (2020) show that other interest parties of stakeholders like suppliers, employees, host communities, and the government are all relevant in the pursuit of the wellbeing of the company, since these stakeholders are usually equally affected by the firms' decisions. The stakeholder's theory therefore suggests that every firm should endeavor to create value for all the stakeholders and not only shareholders wealth maximization.

The agency and stakeholders theories are relevant to this study. In agency theory, the shareholders (Principal) demand the periodical evaluation of the actions of the managers (Agents) as a reassurance that the agents effectively and efficiently utilize entrusted resources for the purpose of shareholders' wealth creation. The stakeholder theory proposes some level of inclusiveness which extends managerial concern beyond the optimization of shareholders wealth to other stakeholders' legitimate interests (Appolos and Ademola 2020).

2.3 Empirical Review

Theophilus and Ademola (2020) investigated the quality of accounting numbers and shareholders wealth maximization. Economic value added was used as the dependent variable to measure shareholders wealth maximization, while earnings persistence, earnings smoothing and firm size were used as explanatory variables. The study population is made up of all the 173 listed companies on the Nigeria Stock Exchange (NSE) as at 31st December 2018, while the

sample constitutes of a selected 10 companies for a period of 10 years (2010 – 2019). Panel data regression was applied for the data analysis. The result revealed that the quality of accounting numbers (QAN) had a statistically positive significant effect on economic value added (EVA), while QAN exerted a statistically positive effect on earnings per share. With introduced control, QAN exhibited stronger statistically positive significant effect on EVA, while QAN revealed a strong statistical effect on EPS.

Appolos and Ademola (2020) studied the effect of financial reporting quality on shareholders' wealth maximization. Financial reporting quality was used as the independent variable and was measured using earnings persistence and earnings smoothing, while shareholders wealth maximization was used as the dependent variable. The study population consisted of 173 listed companies on the Nigerian Stock Exchange, with a sample of 10 companies selected for a period of 10 years (2008-2017). The study found that Shareholders' wealth maximization was positively affected by the financial reporting quality (AdjR2 = 0.170; F(2, 98) = 41.96; p = 0.000). The individual effects of Earnings persistence (EPES) and Earnings smoothness (ESM) on Shareholder's wealth maximization (SHWM) were negative and statistically insignificant (β = -0.044; t(100) = -0.483; p = 0.629; and β = -0.038; t(100) = -0.460; p = 0.645) respectively.

Sanyaolu and Job-Olatunji (2017) studied the effect of earnings management on shareholders wealth maximization. Earnings per share represented the dependent variable while earnings management is the independent variable measure by discretionary accruals. Secondary data were obtained from annual reports of the eight selected firms covering five years from 2011-2015. Panel regression was employed to estimate the model built for the study, Modified Cross Sectional Jones Model (1995) was used for calculation of discretionary accruals. Earnings per share and Dividend per Share were used as proxies for dependent variables discretionary accrual was used to proxy independent variable (Earnings management). The empirical results indicate that earnings management (discretionary accruals) has no significant effect on earnings per share and dividend per share, which is against the proposition (a priori expectation).

Similarly, Haruna and Kighir (2018) examined the effect of IFRS adoption on shareholders wealth of deposit money banks in Nigeria. The study employed longitudinal research design using data collected from the published financial statements of deposit money banks listed on the Nigerian Stock Exchange for a period of 8 years (2008-2015). Multivariate analysis of covariance (MANCOVA), and multiple Regression models were for the data analysis. Dividend per share, market value per share, earnings per share and return on equity were used to measure shareholders wealth, while pre and post treatments serves as a categorical variable and inflation as a continuous control variable. The study found that financial reporting pre and post IFRS had a positive significant effect on shareholders wealth.

Rajpogal and Venkatachalam (2016) studied the variance of stock returns and variables affecting financial reporting quality. The study found that deterioration in financial reporting quality was associated with volatility of stock returns over the past 40 years.

Chan-Jane, Tawei and Chao-Jung (2016) reporting on the relationship between financial reporting quality and investment in family firms and non-family firms in China, submitted that family owned firms are more likely to under-invest than non-family owned firms because of the desire to protect socio-emotional wealth. The study also found that financial reporting quality is more negatively related with family owned companies' under- investment behaviour.

2.4 Literature Gap

The empirical studies reviewed (Theophilus & Ademola, 2020; Appolos & Ademola 2020; and Haruna & Kighir, 2018) found positive significant effect while other studies like Sanyaolu and Job-Olatunji (2017); Chan-Jane, Tawei and Chao-Jung (2016) found a negative effect. Few of the studies in Nigeria used returns on equity to measure shareholders wealth maximization and none of them used earnings volatility. This study used earnings volatility order to have a more robust result.

III. RESEARCH DESIGN

The study follows ex-post facto research design to investigate the impact of financial reporting quality on shareholders' wealth maximization in listed manufacturing firms in Nigeria. Financial reporting quality is the independent variable measured by discretionary accruals, earnings persistence, earnings smoothening and earnings volatility. Shareholders' wealth is the dependent variable measured by return on equity. A sample 10 quoted consumer goods manufacturing firms is drawn from the Nigeria Stock Exchange.

The ex-post facto research design is adopted for the purpose of this study, while secondary data on the selected firms is used. This study covers a study period of 10 years running from 2011 to 2020. All firms considered in this study were listed on the Nigerian Stock Exchange as at 31st December, 2020 and the Ordinary Least Square (OLS) regression estimation techniquewas used with the aid of E-views 9 statistical software.

Model Specification:

$Y = \alpha_0 + \beta_x + \varepsilon_t$…… Equation (i)

Equation (1) is defined in terms of the objectives of this study as:
ROE = *f* (financial reporting quality) + ε_t…….. Equation (ii)

Given that ROE represents the shareholders' returns. When all variables are finally entered, the functional form appears as:

Return on Equity= *f*(*DACC, ERPS, ERSM, ERVL*) …..……..... Equation (iii)

Then the variables are coded into the main regression model as shown below:

$ROEs = \alpha_0 + \beta_1 DACC + \beta_2 ERPS + \beta_3 ERSM + \beta_3 ERVL + \varepsilon_t$ …… Equation (iv)

Where:

ROE = Return on equity used to measure shareholders' wealth maximization.
DACC = Discretionary accruals as measured by Dechow and Dechiv (2002) model
ERPS = the persistence of firms' earnings were measured as the non-constant (slope) coefficient obtained after regressing current earnings before interest and tax.
ERSM = Earnings smoothing as measured by percentage of the firm-level standard deviation of earnings and the standard deviation of the operating cash flow as used in Gaio andRaposo (2011).
ERVL = Earnings volatility as measured by current earnings minus previous earnings divided by previous earnings
α_0 = a constant, equals the value of Y when the value of X = 0
β = coefficient of the independent variables
ε_t = the error term
@@

IV. DATA PRESENTATION, ANALYSIS AND RESULTS DISCUSSION

Table 1: Descriptive Statistics for Variables

	ROE	DACC	ERPS	ERSM	ERVL
Mean	0.414939	9.739240	0.671597	0.037226	0.493902
Median	0.382444	10.18146	0.734583	0.031176	0.408954
Maximum	0.015033	14.67251	0.990874	0.096375	0.982948
Minimum	0.998719	1.210198	0.007517	0.000649	0.00065
Std. Dev.	0.249615	3.157569	0.267386	0.026188	0.206683
Skewness	0.125898	-0.648502	-0.788110	0.466365	0.719190
Kurtosis	1.863206	2.687810	2.622809	2.045996	2.744637
Jarque-Bera	5.648754	7.415332	10.94475	7.417111	8.892289
Probability	0.059346	0.084535	0.064201	0.064513	0.071724
Sum	41.49393	973.9240	67.15969	3.722580	49.39023
Sum Sq. Dev.	6.168450	987.0540	7.078023	0.067897	4.229079
Observations	100	100	100	100	100

Source: Author's Computation using Eviews 9.0

Table 4.1 provides a summary of the descriptive statistics from the panel data. The results show that on the average:

- Return on Equity (ROE) in respect of all the selected consumer good firms is 0.414939, with a maximum level of 0.015033, which appears to be quite high;
- The average level of Discretionary Accruals (DACC) is reported by Lafarge Plc in 2020 while the average DACC reported for all selected consumer firms is approximately 9.74, with a minimum DACC of 1.21 reported by Meyer Plc in 2017 and a maximum DACC of 14.67 reported by Beta Glass Plc. in 2018.
- Earnings Persistence (ERPS) showed an average of 67% with a maximum return of 99% reported by Premier Paints Plc in 2020, while the minimum ERPS is 0.7% reported by Berger Paints Plc. in 2014;
- Earnings smoothing (ERSM), presented an average of approximately 4% across all selected firms for the study period. However, the maximum ERSM is approximately 10% reported by Austin Laz & Co. Plc. in 2017. Curtix Plc reported the lowest ERSM at 0.06% in 2019.
- Earnings volatility (ERVL) indicated an average of 49% across all the selected firms with a minimum of 0.065% and this was reported by Austin Laz & Co. Plc in 2011, while the maximum of 98% was reported by Beta Glass Plc in 2019.

Table4.2: Correlation Matrix

Covariance Analysis: Ordinary
Date: 10/16/21 Time: 14:33
Sample: 1 100
Included observations: 100

Correlation	DACC	ERPS	ERSM	ERVL
DACC	9.870540			
	1.000000			
ERPS	0.139151	0.070780		
	0.284315	1.000000		
ERSM	-0.002073	-0.000473	0.000679	
	-0.025319	-0.068253	1.000000	
ERVL	0.002245	0.022456	0.054221	0.002451
	0.272342	0.282472	0.201345	0.214523

Source: Author's Computation using E-views 9.0

Table 4.2 summarizes the level of correlation between the independent variables. The test serves to examine the relatedness of the selected variables and to ascertain if the variables reflect any trace of multi-collinearity which is revealed by high levels of pair-wise correlation of 80% or more. The analysis shows: the correlation between DACC and ERPS is positive at 28% and this implies that the use of discretionary accruals will always rise alongside earnings persistence. The correlation between DACC and ERSM is also positive at approximately 3%. It is normal for high level of discretionary accruals to result from earnings smoothing that are geared toward inflated actual earnings in order to reflect high performance.

Table 4.3 Unit Root Test Result

Data Series	Augmented Dicker-Fuller (ADF)	Test Crit. Values at 5% (TCV)	Prob. of ADF
ROE	5.484154	2.412365	0.0000
DACC	5.085790	2.412365	0.0000
ERPS	3.159088	2.891234	0.0255
ERSM	7.313629	2.412365	0.0000
ERVL	4.112039	2.890926	0.0015

Source: Author's Computation using Eviews 9.0

The null hypothesis states that the panel data has unit root. The result must show a probability value that is lower than the critical value at any level of significance, in order to reject the null hypothesis. From Table 4.3, the ADF test statistics are greater than the test critical values at 5%level; while each variable showed the absence of unit root (i.e. stationary) at 5% level of significance. Therefore, the null hypothesis which states that the data has no unit root is accepted.

Table 4.4: Regression Estimation Result

Dependent Variable: ROE
Method: Least Squares
Date: 10/16/21 Time: 10:15
Sample: 1 100
Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.257017	0.216007	5.819338	0.0000
DACC	-0.523200	0.012113	-1.915346	0.0085
ERPS	0.784442	0.788421	3.531668	0.0006
ERSM	-0.908621	0.845857	-2.256435	0.0124
ERVL	-0.713269	0.223937	-3.185125	0.0020

R-squared	0.888350	Mean dependent var	-0.414939
Adjusted R-squared	0.871773	S.D. dependent var	0.443983
S.E. of regression	0.254363	Akaike info criterion	0.158015
Sum squared resid	6.081848	Schwarz criterion	0.314326
Log likelihood	-1.900772	Hannan-Quinn criter.	0.221277

F-statistic	41.52412	Durbin-Watson stat	1.969645
Prob(F-statistic)	0.000000		

Source: Eviews9 Output (2021)

The above regression result shows:

- R-squared value of approximately 89%. This explains the ability of the independent variables to account for 89% of the systematic variations in the dependent variable, while the error term is responsible for the remaining 11%;
- The Adjusted R-squared value of approximately 87% means that the model has a high predictive power, as the independent variables could predict about 87% of the changes in the dependent variable;
- There is absence of autocorrelation as revealed by the Durbin Watson statistics of 1.96, while the F-statistics is high at 41.52412, the linear relationship between the explanatory variables and the dependent variable is revealed by the overall result which is significant with a P-value of at 0.00000.
- This summary confirms the statistical reliability of the selected model, showing that there is a significant linkage between financial reporting quality and shareholders wealth maximization.

4.1 Discussion of Results

From the regression result as shown in Table 4.4, the coefficient of regression for DACC is -0.523200. This indicates that discretionary accruals have a negative effect on shareholders' wealth maximization of listed consumer good firms in Nigeria. The inference is that, holding all other variables constant, an increase in the manipulation of earnings through discretionary accruals will result to an approximately 52% decrease in shareholders' wealth maximization for quoted consumer goods manufacturing firms in Nigeria. The p-value of 0.0085 shows that discretionary accruals manipulation has a significant effect on shareholders' wealth maximization, in quoted consumer good manufacturing firms in Nigeria at 5% level of significance. Therefore, the null hypothesis that discretionary accruals have no significant impact on shareholders' wealth maximization in Nigerian consumer good firms is rejected.

The finding of this study is confirms the result of Panigrahi (2017) study which indicate that the quality of accounting numbers (accruals quality) has a negative significant relationship with economic value added and shareholders' expectations. The implication is that consistent manipulation of accounting numbers diminishes investing public confidence on the firm.

The coefficient of regression for ERPS is 0.784442. This indicates that earnings persistence have a positive effect on shareholders' wealth maximization in listed consumer goods firms in Nigeria. The implication is that, holding all other variables constant, an increase in earnings persistence results in approximately 78% increases in shareholders' wealth maximization of quoted consumer good manufacturing firms in Nigeria. The p-value of 0.0006 implies that earnings persistence has a significant effect on shareholders' wealth maximization of quoted consumer good manufacturing firms in Nigeria at 5% level of significance. Thus, the null hypothesis that earnings persistence has no significant influence on shareholders' wealth maximization in Nigerian consumer good firms is rejected. This result disagrees with the result of Aguguom, Dada and Nwaobia (2019) study which indicate that earnings persistence has a negative but insignificant effect on firm performance.

The coefficient of regression for ERSM is -0.908621. This indicates that earnings smoothening have a negative effect on shareholders' wealth maximization in listed consumer goods manufacturing firms in Nigeria. The inference is that, holding all other variables constant, an increase in earnings smoothening results in an approximately 91% decrease in shareholders' wealth of quoted consumer good firms in Nigeria. The p-value of 0.0124 shows that earnings smoothening have a significant effect on shareholders' wealth maximization of quoted consumer good firms in Nigeria at 5% level of significance. The null hypothesis that earnings smoothening have no significant impact on shareholders' wealth maximization in Nigerian consumer good firms is rejected.

The study is in alignment with of Zhai and Wang (2016) which emphasize the negative impact of earnings smoothening considered earnings smoothness as the technique used by company managers to induce a change in the reported amount of income by means of artificial or real earnings management so that it can reach a desired income level. There are likely motivations behind income smoothing, among them are: That managers are likely to increase performance by income smoothing; that companies that are interested in satisfying their financial desires by selling shares will engage in income smoothing; however, the resulting effect is that, in the long run, unsuspecting shareholders will lose their investments when such managers can no longer sustain these practices.

The regression coefficient for ERVL is -0.713269. This indicates that earnings volatility has a negative effect on shareholders' wealth in listed consumer goods manufacturing firms in Nigeria. By implication, holding all other variables constant, an increase in earnings volatility results in an approximately 71% decrease in shareholders' wealth of quoted consumer good firms in Nigeria. The p-value of 0.0020 means that at 5% level of significance earnings volatility has a significant effect on shareholders' wealth in quoted consumer goods manufacturing firms in Nigeria. the null

hypothesis which states that earnings volatility has no significant impact on shareholders' wealth maximization in Nigerian consumer good firms therefore rejected.

5.1 Summary of Findings

The results of the analysis reveal that:

a) Discretionary accruals discourages shareholders' wealth maximization with a coefficient of -0.523200 and a P-value 0.0085<0.05;
b) Earnings persistence encourages shareholders' wealth maximization with a coefficient of 0.784442and a P-value of 0.0006<0.05;
c) Earnings volatility reduces shareholders' wealth maximization with a coefficient of -0.713269and a P-value of 0.0020<0.05,
d) Earnings smoothening discourages shareholders' wealth maximization with a coefficient of -0.908621and a P-value of 0.0124<0.05.

5.2 Conclusion

The study examined the effects of financial reporting quality on shareholders' wealth maximization in listed consumer goods manufacturing firms in Nigeria. The financial reporting measures adopted for the purpose of this study includes the manipulation of discretionary accruals, earnings persistence, earnings smoothening and earnings volatility, while shareholders wealth maximization was proxied by Returns on Equity (ROE). The study employed all consumer goods firms that are listed by 2011 on the Nigerian Stock Exchange (NSE) up to 31st December 2020, while data were collected through the secondary method from publicly available annual reports of the selected firms.

Furthermore, the ex-post facto research design was used and emphases were laid on banks' data from 2011 t0 2020 – that is a period of ten (10) years in all. The study adopted ordinary least (OLS) multiple regression estimation technique while data were analysed through the E-View – 9 statistical package for data analysis. The overall model of the study showed R-Square value of 96% which indicates the dependent variable, while an R-Square adjusted of 92% simply reflects the high predictive power of the independent variables as they can predict 92% of the changes in the dependent variable.

The results revealed that discretionary accruals discourages shareholders' wealth maximization with a coefficient of -0.523200 and P-value of 0.0085

The results obtained from the analyses of study and in conformity with the reports of prior studies indicate that the use of discretionary accruals to inflate reported earnings and earnings smoothening do not encourage shareholders' wealth maximization in listed consumer goods firms in Nigeria. However, earnings persistence prove to have a significant and positive impact on shareholders' wealth maximization in listed consumer good firms in Nigeria while discretionary accruals, earnings smoothing and earnings volatility have negative and significant impact on shareholders' wealth maximization in listed consumer good firms in Nigeria. The conclusion of the study is that financial reporting quality significantly influences shareholders wealth maximization in the listed consumer goods manufacturing companies in Nigeria.

5.3 Recommendations

a) The monitoring functions of the board of directors of consumer goods manufacturing companies in Nigeria should be intensified in order to promote more accurate and transparent financial reporting by all manufacturing firms in general;
b) There is a need for critical strategic planning, transparent financial reporting and optimal resources management in manufacturing firms in Nigeria in order to ensure high competence in firms' equity management, persistent stable earnings returns, and upward shareholders' wealth maximization;
c) There is need for further investigations into the use of qualitative measures of financial reporting quality to show their impacts on the performance of the firm and the maximization shareholders' wealth; and
d) Investigations into the relationship between financial reporting quality and growth of share prices of quoted firms as a measure of shareholders' wealth maximization, will be useful to determine the impact of financial reporting quality on capital gains as surrogate for shareholders' wealth maximization.

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APPENDIX

Dependent Variable: ROE
Method: Least Squares
Date: 10/16/21 Time: 10:15
Sample: 1 100
Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.257017	0.216007	5.819338	0.0000
DACC	-0.023200	0.012113	-1.915346	0.0085
ERPS	2.784442	0.788421	3.531668	0.0006
ERSM	-1.908621	0.845857	-2.256435	0.0264
ERVL	-0.713269	0.223937	-3.185125	0.0020

R-squared	0.888350	Mean dependent var	-0.414939
Adjusted R-squared	0.871773	S.D. dependent var	0.443983
S.E. of regression	0.254363	Akaike info criterion	0.158015
Sum squared resid	6.081848	Schwarz criterion	0.314326
Log likelihood	-1.900772	Hannan-Quinn criter.	0.221277
F-statistic	41.52412	Durbin-Watson stat	1.969645
Prob(F-statistic)	0.000000		

	ROE	DACC	ERPS	ERSM	ERVL
Mean	0.414939	9.739240	0.671597	0.037226	0.493902
Median	0.382444	10.18146	0.734583	0.031176	0.408954
Maximum	0.015033	14.67251	0.990874	0.096375	0.982948
Minimum	0.998719	1.210198	0.007517	0.000649	-0.010637
Std. Dev.	0.249615	3.157569	0.267386	0.026188	0.206683
Skewness	0.125898	-0.648502	-0.788110	0.466365	0.719190
Kurtosis	1.863206	2.687810	2.622809	2.045996	2.744637
Jarque-Bera	5.648754	7.415332	10.94475	7.417111	8.892289
Probability	0.059346	0.084535	0.064201	0.064513	0.011724
Sum	41.49393	973.9240	67.15969	3.722580	49.39023
Sum Sq. Dev.	6.168450	987.0540	7.078023	0.067897	4.229079
Observations	100	100	100	100	100

Covariance Analysis: Ordinary
Date: 10/16/21 Time: 14:33
Sample: 1 100
Included observations: 100

Correlation	DACC	ERPS	ERSM	ERVL
DACC	9.870540			
	1.000000			
ERPS	0.139151	0.070780		
	0.284315	1.000000		
ERSM	-0.002073	-0.000473	0.000679	
	-0.025319	-0.068253	1.000000	
ERVL	0.002245	0.022456	0.054221	0.002451
	0.272342	0.282472	0.201345	0.214523

Null Hypothesis: ERVL has a unit root
Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.112039	0.0015
Test critical values:	1% level	-3.497727	
	5% level	-2.890926	
	10% level	-2.582514	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: ROE has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.484154	0.0000
Test critical values:	1% level	-3.497727	
	5% level	-2.890926	
	10% level	-2.582514	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: DACC has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.085790	0.0000
Test critical values:	1% level	-3.497727	
	5% level	-2.890926	
	10% level	-2.582514	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: ERPS has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.159088	0.0255
Test critical values:	1% level	-3.498439	
	5% level	-2.891234	
	10% level	-2.582678	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: ERSM has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-7.313629	0.0000
Test critical values:	1% level	-3.497727	
	5% level	-2.890926	
	10% level	-2.582514	

*MacKinnon (1996) one-sided p-values.

Earnings Smoothening (ERSM)

COMPANIES	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Austin Laz & Co. Plc	0.56522	0.41522	0.11522	0.17424	0.49637	0.27637	0.09522	0.01043	0.07043	0.04637
Berger Paints Plc.	0.54248	0.39248	0.99248	0.06779	0.51187	0.27637	0.09522	0.02497	0.07375	0.06187
Beta Glass Plc.	0.56375	0.34637	1.04637	0.09693	0.54760	0.27637	0.09522	0.03275	0.07375	0.09760
Cap Plc.	0.52596	0.57596	0.27596	0.33149	0.54904	0.15904	0.10596	0.05192	0.07375	0.09904
Cutix Plc.	0.64935	0.39935	0.89935	0.33095	0.52278	0.15904	0.12935	0.05870	0.07456	0.09693
Dangote Cement Plc.	0.63113	0.88113	0.58113	0.28895	0.51822	0.15904	0.12935	0.05870	0.07456	0.14499
Lafarge Plc.	0.65775	0.88113	1.20775	0.19388	0.50849	0.09849	0.18775	0.05870	0.07456	0.11100
Meyer Plc.	0.62898	0.80113	1.17898	0.21855	0.97943	0.09849	0.15898	0.06496	0.07990	0.33550
Premier Paints Plc.	0.67878	0.52878	0.22878	0.23218	0.34637	0.36822	0.20878	0.06356	0.00913	0.08220
Greif Nig. Plc	0.56189	0.41189	0.11189	0.25319	0.36187	0.35849	0.20878	0.06356	0.01602	0.98761

Source: Computed from Annual Reports of the Selected Firms, 2011-2020

Discretionary Accruals (DACC)

COMPANIES	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Austin Laz & Co. Plc	13.29568	14.53625	12.89568	12.84784	11.04784	11.25756	9.036255	8.236255	8.847842	5.347842
Berger Paints Plc.	12.26253	13.38126	13.75033	5.075166	12.04784	11.32209	7.881265	8.236255	10.07517	6.575166
Beta Glass Plc.	11.26253	12.02396	14.67251	3.536255	13.04784	10.89531	6.523959	9.236255	11.53625	7.362547
Cap Plc.	10.26253	11.00961	13.48084	10.24042	13.94042	8.685053	5.589961	11.40961	8.240421	8.740421
Cutix Plc.	11.25442	10.89531	12.41298	3.785649	12.70649	9.690473	5.772209	12.40961	9.785649	8.599649
Dangote Cement Plc.	12.25442	9.550112	11.41298	5.188707	11.70649	11.11055	6.817835	13.40961	3.188707	7.688707
Lafarge Plc.	13.25442	10.89004	10.41298	9.077511	10.12249	13.06123	7.915113	13.01511	2.188707	6.422489
Meyer Plc.	14.20102	9.645009	11.35084	1.210198	9.410198	11.81453	4.205737	12.01511	2.988707	5.710198
Premier Paints Plc.	13.90874	13.17797	12.36444	11.71222	8.912219	10.67817	11.53625	8.317835	6.712219	4.212219
Greif Nig. Plc	12.83981	5.123883	13.36444	13.85811	9.912219	9.468126	10.38126	7.415113	8.881102	6.381102

Earnings Persistence (ERPS)

COMPANIES	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Austin Laz & Co. Plc	0.034784	0.004784	0.084784	0.096375	0.025756	0.023625	0.004784	0.089568	0.043625	0.019568
Berger Paints Plc.	0.057517	0.007517	0.022483	0.011874	0.032209	0.023625	0.004784	0.075033	0.028126	0.016253
Beta Glass Plc.	0.036255	0.053625	0.054125	0.067604	0.045123	0.023625	0.004784	0.067251	0.007604	0.016253
Cap Plc.	0.074042	0.025958	0.014042	0.049039	0.068505	0.059039	0.005958	0.048084	0.009039	0.016253
Cutix Plc.	0.049351	0.000649	0.039351	0.022779	0.069047	0.059039	0.029351	0.041298	0.070693	0.015442
Dangote Cement Plc.	0.031129	0.021129	0.081129	0.018217	0.011055	0.059039	0.029351	0.041298	0.054989	0.015442
Lafarge Plc.	0.057751	0.001129	0.092249	0.008489	0.006123	0.001511	0.087751	0.041298	0.020996	0.015442
Meyer Plc.	0.074588	0.016129	0.024105	0.079426	0.031453	0.001511	0.057864	0.007464	0.064501	0.010102
Premier Paints Plc.	0.078778	0.028778	0.071222	0.053625	0.067817	0.031783	0.014322	0.026444	0.007797	0.080874
Greif Nig. Plc	0.012536	0.011525	0.058422	0.038126	0.046813	0.041511	0.031222	0.026444	0.007612	0.073981

Return on Equity (ROE)

COMPANIES	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Austin Laz & Co. Plc.	0.06957	0.56957	0.13809	0.48192	0.56311	0.52338	0.57801	0.64254	0.80226	0.84821
Berger Paints Plc.	0.11503	0.34244	0.22211	0.48192	0.55622	0.52423	0.12975	0.78175	0.25756	0.19275
Beta Glass Plc.	0.07251	0.11684	0.41225	0.60302	0.23542	0.67289	0.63559	0.76796	0.02305	0.22375
Cap Plc	0.14808	0.15885	0.36291	0.60302	0.38244	0.67289	0.65914	0.35299	0.05192	0.29521
Cutix Plc	0.02507	0.10725	0.33563	0.06357	0.38244	0.70725	0.65251	0.06226	0.18497	0.29808
Dangote Cement Plc.	0.36957	0.07625	0.29363	0.08302	0.77914	0.67625	0.65251	0.11552	0.72531	0.24556
Lafarge Plc.	0.01503	0.45151	0.24725	0.60957	0.75007	0.60479	0.65251	0.14918	0.24808	0.23643
Meyer Plc.	0.10725	0.66442	0.24725	0.60957	0.73452	0.60192	0.65088	0.15756	0.99872	0.21698
Premier Paints Plc.	0.35125	0.29025	0.24725	0.60957	0.69617	0.60614	0.65088	0.62259	0.36226	0.11573
Greif Nig. Plc.	0.45813	0.13701	0.48192	0.58808	0.68245	0.51002	0.65088	0.96226	0.23543	0.17522

Earnings Volatility

COMPANIES	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Austin Laz & Co. Plc.	0.05870	0.33550	0.63113	0.68871	0.36887	0.03113	0.39935	0.00649	0.60065	0.00065
Berger Paints Plc.	0.06496	0.08220	0.65775	0.42249	0.34225	0.05775	0.88113	0.18871	0.11887	0.02113
Bet a Glass Plc.	0.06356	0.98761	0.62898	0.71020	0.32541	0.07459	0.88113	0.18871	0.11887	0.00113
Cap Plc.	0.06356	0.07043	0.67878	0.21222	0.32122	0.07878	0.80113	0.98871	0.19887	0.01613
Cutix Plc.	0.04637	0.07375	0.56189	0.38110	0.41254	0.01254	0.52878	0.71222	0.47122	0.02878
Dangote Cement Plc.	0.06187	0.07375	0.41522	0.84784	0.58478	0.00478	0.41189	0.88110	0.58848	0.01153
Lafarge Plc.	0.09760	0.07375	0.39248	0.07517	0.60752	0.00752	0.11522	0.84784	0.88478	0.08478
Meyer Plc.	0.09904	0.07456	0.34637	0.53625	0.65363	0.05363	0.99248	0.07517	0.00752	0.02248
Premier Paints Plc.	0.09693	0.07456	0.57596	0.24042	0.42404	0.02596	1.04637	0.53625	0.24588	0.05413
Grief Nig. Plc	0.56522	0.54248	0.56375	0.52596	0.64935	0.63113	0.65775	0.62898	0.67878	0.56189

Source: Computed from Annual Reports of the Selected Firms, 2011-2020